

**ANNUAL FINANCIAL REPORT  
OF  
GRUNDY COUNTY, TENNESSEE  
AND  
GRUNDY COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*Assistant to the Comptroller*

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*JENI PALADENI*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# GRUNDY COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Grundy County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Grundy County as of and for the year ended June 30, 2007.

## ***Results***

Our report on Grundy County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in five findings and recommendations, which we have reviewed with Grundy County management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **GRUNDY COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- 

### **OFFICE OF COUNTY MAYOR**

- ◆ The office accounted for the transactions of the county-owned sewer system through the county's General Fund instead of an enterprise fund.
  - ◆ Bids were not solicited for the purchase of food supplies and fuel for the Sheriff's Department.
- 

### **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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Grundy County Officials  
June 30, 2007

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**Officials**

LaDue Bouldin, County Mayor  
Hubert Hargis, Highway Superintendent  
Lucyle Hampton, Trustee  
Joanne Childers, Assessor of Property  
Jimmy Rogers, County Clerk  
Marcia Bess, Circuit and General Sessions Courts Clerk  
Phyllis Dent, Clerk and Master  
Gayle VanHooser, Register  
Brent Myers, Sheriff

**Board of County Commissioners**

Ralph Rieben, Chairman	David Lockhart
Gary Brewer	Monte Meeks
David Gallagher	Carl Prater
Earl Geary, Jr	Charles Rollins
David Griswold	

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

October 1, 2007

Grundy County Mayor and  
Board of County Commissioners  
Grundy County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Grundy County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 35, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Grundy County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grundy County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

Transactions pertaining to the operations of the county-owned sewer system were accounted for through the General Fund (major governmental fund). These transactions should be accounted for in an enterprise fund using the accrual basis of accounting in accordance with state statutes. The effects on the financial statements are not reasonably determinable.

However, in our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Grundy County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2007, on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 39 through 45 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Grundy County, Tennessee  
Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>ASSETS</b>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 384	\$ 384
Equity in Pooled Cash and Investments	1,346,029	1,499,876	259,275	971,638	2,571,801	480,804	7,129,423
Accounts Receivable	0	0	0	6,500	0	0	6,500
Due from Other Governments	11,677	0	20,015	256,309	80,000	0	368,001
Due from Other Funds	384	0	0	5,049	0	0	5,433
Property Taxes Receivable	2,097,441	572,029	0	0	270,125	0	2,939,595
Allowance for Uncollectible Property Taxes	(70,748)	(19,295)	0	0	(9,112)	0	(99,155)
Notes Receivable - Current	0	0	24,000	0	0	0	24,000
Lease Purchase Receivable - Current	0	0	86,000	0	0	0	86,000
Lease Purchase Receivable - Long-Term	0	0	1,195,454	0	0	0	1,195,454
<b>Total Assets</b>	<b>\$ 3,384,783</b>	<b>\$ 2,052,610</b>	<b>\$ 1,584,744</b>	<b>\$ 1,239,496</b>	<b>\$ 2,912,814</b>	<b>\$ 481,188</b>	<b>\$ 11,655,635</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<u>Liabilities</u>							
Accounts Payable	\$ 6,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,162
Due to Other Funds	5,049	0	0	0	0	384	5,433
Deferred Revenue - Current Property Taxes	1,908,519	520,505	0	0	245,794	0	2,674,818
Deferred Revenue - Delinquent Property Taxes	110,774	30,229	0	0	14,269	0	155,272
Other Deferred Revenues	0	0	1,281,454	130,000	40,000	0	1,451,454
<b>Total Liabilities</b>	<b>\$ 2,030,504</b>	<b>\$ 550,734</b>	<b>\$ 1,281,454</b>	<b>\$ 130,000</b>	<b>\$ 300,063</b>	<b>\$ 384</b>	<b>\$ 4,293,139</b>
<u>Fund Balances</u>							
Reserved for Alcohol and Drug Treatment	\$ 21,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,797
Reserved for Courthouse and Jail Maintenance	149,521	0	0	0	0	0	149,521
Reserved for Computer System - Register	1,316	0	0	0	0	0	1,316
Reserved for Other General Purposes	14,019	0	0	0	0	0	14,019
Unreserved, Reported In:							
General Fund	1,167,626	0	0	0	0	0	1,167,626
Special Revenue Funds	0	1,501,876	303,290	1,109,496	0	48,752	2,963,414
Debt Service Funds	0	0	0	0	2,612,751	0	2,612,751
Capital Projects Funds	0	0	0	0	0	432,052	432,052
<b>Total Fund Balances</b>	<b>\$ 1,354,279</b>	<b>\$ 1,501,876</b>	<b>\$ 303,290</b>	<b>\$ 1,109,496</b>	<b>\$ 2,612,751</b>	<b>\$ 480,804</b>	<b>\$ 7,362,496</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,384,783</b>	<b>\$ 2,052,610</b>	<b>\$ 1,584,744</b>	<b>\$ 1,239,496</b>	<b>\$ 2,912,814</b>	<b>\$ 481,188</b>	<b>\$ 11,655,635</b>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,087,189	\$ 520,006	\$ 0	\$ 0	\$ 680,179	\$ 20,498	\$ 3,307,872
Licenses and Permits	7,436	0	0	0	0	0	7,436
Fines, Forfeitures, and Penalties	34,692	0	0	0	0	15,244	49,936
Charges for Current Services	63,561	0	0	105,582	0	4,016	173,159
Other Local Revenues	52,084	7,020	80,090	76,574	390,991	1,825	608,584
Fees Received from County Officials	498,727	0	0	0	0	0	498,727
State of Tennessee	169,650	0	0	1,774,773	0	0	1,944,423
Federal Government	204,868	0	105,611	0	0	0	310,479
Other Governments and Citizens Groups	18,000	10,000	0	0	500,000	0	528,000
Total Revenues	\$ 3,136,207	\$ 537,026	\$ 185,701	\$ 1,956,929	\$ 1,571,170	\$ 41,583	\$ 7,428,616
<u>Expenditures</u>							
Current:							
General Government	\$ 466,764	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,724	\$ 490,488
Finance	311,576	0	0	0	0	100	311,676
Administration of Justice	390,088	0	0	0	0	3,916	394,004
Public Safety	1,097,526	0	0	0	0	41,281	1,138,807
Public Health and Welfare	200,075	504,947	0	0	0	0	705,022
Social, Cultural, and Recreational Services	37,657	0	0	0	0	0	37,657
Agricultural and Natural Resources	74,337	0	0	0	0	0	74,337
Other Operations	472,511	10,382	108,675	0	0	873	592,441
Highways	0	0	0	1,804,878	0	0	1,804,878
Debt Service:							
Principal on Debt	46,104	0	32,152	0	635,651	0	713,907
Interest on Debt	1,944	0	9,520	0	466,213	0	477,677
Other Debt Service	0	0	0	0	14,109	0	14,109
Capital Projects	0	0	184,018	0	0	0	184,018
Total Expenditures	\$ 3,098,582	\$ 515,329	\$ 334,365	\$ 1,804,878	\$ 1,115,973	\$ 69,894	\$ 6,939,021
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 37,625	\$ 21,697	\$ (148,664)	\$ 152,051	\$ 455,197	\$ (28,311)	\$ 489,595

(Continued)

Exhibit B

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds (Cont.)

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 104,435	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	104,435
Transfers In	6,314	10,000	59,800	0	0	0	76,114
Total Other Financing Sources (Uses)	<u>\$ 110,749</u>	<u>\$ 10,000</u>	<u>\$ 59,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (76,114)</u>	<u>\$ 104,435</u>
Net Change in Fund Balances	\$ 148,374	\$ 31,697	\$ (88,864)	\$ 152,051	\$ 455,197	\$ (104,425)	\$ 594,030
Fund Balance, July 1, 2006	<u>1,205,905</u>	<u>1,470,179</u>	<u>392,154</u>	<u>957,445</u>	<u>2,157,554</u>	<u>585,229</u>	<u>6,768,466</u>
Fund Balance, June 30, 2007	<u>\$ 1,354,279</u>	<u>\$ 1,501,876</u>	<u>\$ 303,290</u>	<u>\$ 1,109,496</u>	<u>\$ 2,612,751</u>	<u>\$ 480,804</u>	<u>\$ 7,362,496</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C

Grundy County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 530,070
Accounts Receivable	589
Due from Other Governments	<u>84,424</u>
Total Assets	<u>\$ 615,083</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 84,424
Due to Litigants, Heirs, and Others	<u>530,659</u>
Total Liabilities	<u>\$ 615,083</u>

The notes to the financial statements are an integral part of this statement.

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grundy County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

Grundy County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Grundy County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Grundy County's auditor to issue an adverse opinion on the county's financial statements.

Although Grundy County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of Grundy County:

**A. Reporting Entity**

Grundy County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Grundy County (the primary government).

**Blended Component Units** – There are no legally separate component units of Grundy County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Grundy County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Grundy County School Department operates the public school system in the county, and the voters of Grundy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission’s approval. The School Department’s taxes are levied under the taxing authority of the county and are included as part of the county’s total tax levy.

The Grundy County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Grundy County, and its governing body is appointed by the Grundy County Commission. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission’s approval.

The Grundy County School Department and the Grundy County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report, but under the same cover as the county’s financial statements. The Grundy County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Grundy County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Grundy County Emergency Communications District  
P.O. Box 177  
Altamont, TN 37301

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of Grundy County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to

report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Grundy County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Fund, the Industrial/Economic Development Fund, and the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grundy County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Solid Waste/Sanitation Fund** – This fund is used to account for transactions relating to the disposal of Grundy County’s solid waste.

**Industrial/Economic Development Fund** – This fund is used to account for lease/rental revenues on county industrial buildings and state/federal grants related to industrial/economic development.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Grundy County also reports the following additional fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for various capital projects within the county.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received from the state to be forwarded to the various cities in the county. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Grundy County and Grundy County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Grundy County and the Grundy County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the

Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.85 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the

following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. Grundy County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Grundy County does not present government-wide statements.

**4. Compensated Absences**

General policy of Grundy County does not allow for the accumulation of vacation and sick days beyond the year-end, except for the Highway Department, which permits the accumulation of vacation and sick leave exceeding a normal year's accumulation. Payment of vacation leave is guaranteed; however, this guaranteed amount is not considered material to the financial statements of this report.

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including landfill postclosure costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which was not budgeted, and the capital projects fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

### B. The Operations of the County-Owned Sewer System Were Not Accounted for Through an Enterprise Fund

The county did not account for transactions of the county-owned sewer system through an enterprise fund. Instead, these transactions were accounted for through the county's General Fund. Section 68-221-208, Tennessee Code Annotated, and paragraph 8(m) of the Wastewater Facility Revolving Fund Loan Agreement provide for Grundy County to establish a sewer user's fee and/or ad valorem taxes as necessary to provide sufficient funds to pay the costs of operation and maintenance, including depreciation, according to generally accepted accounting principles and debt service requirements of the sewer system. Reporting the sewer system through an enterprise fund is the only method that would ensure sufficient funds are provided to pay the costs of operations and maintenance, including depreciation and debt service requirements of the sewer system.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Grundy County and the Grundy County School Department participate in an internal cash and investment pool through the Office of Trustee. The Grundy County School Department meets the criteria for a discretely presented component unit of Grundy County. Since Grundy County is presenting fund financial statements only, the financial information for the Grundy County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

#### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements.

Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2007, Grundy County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the discretely presented Grundy County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 5,059,922</u>
Total		<u><u>\$ 5,059,922</u></u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Grundy County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Grundy County has no investment policy that would further limit its investment choices. As of June 30, 2007, Grundy County's investment in the State Treasurer's Investment Pool was unrated.

**B. Notes Receivable**

The Industrial/Economic Development Fund had notes receivable of \$24,000 on June 30, 2007, from financing a sewer project for the Beersheba Springs Community. On February 23, 2004, the Tennessee Conference of the United Methodist Church agreed to reimburse the county for the cost of the sewer project for the community. This sewer project also serves the conference's Camping and Retreat Center facilities. The terms of the note required the conference to make a lump sum cash payment of \$50,000 when the note was signed and to make four annual payments of \$24,000 plus interest at a rate of three percent on the outstanding balance.

**C. Lease Purchase Receivable**

The Industrial/Economic Development Fund had lease-purchase receivables of \$1,281,454 on June 30, 2007, from financing lease-purchase agreements on five county industrial buildings. Generally, the terms of the lease-purchase agreement call for fixed monthly payments to be made by the lessee until the amount of the lease-purchase is paid in full. Ownership of the industrial building transfers to the lessee when the lease-purchase agreement is paid in full. The lessee can purchase the building at any time during the lease period by paying the balance due on the lease-purchase.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 384
Highway/Public Works	General	5,049

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Solid Waste/ Sanitation Fund</u>	<u>Industrial/ Economic Development Fund</u>
Nonmajor governmental funds	\$ 6,314	\$ 10,000	\$ 59,800
Total	<u>\$ 6,314</u>	<u>\$ 10,000</u>	<u>\$ 59,800</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**E. Capital Lease**

On January 3, 2007, Grundy County entered into a three-year lease-purchase agreement for four vehicles for the Sheriff's Department. The terms of the agreement require total lease payments of \$104,435 plus interest of 6.8 percent. Title to the vehicles transfers to Grundy County at the end of the lease period. The lease payments are made from the General Fund.

Since Grundy County is presenting fund financial statements only, the present value of minimum lease payments under the lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Grundy County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Fund</u>
2008	\$ 42,279
2009	<u>39,748</u>
Total Minimum Lease Payments	\$ 82,027
Amount Representing Interest	<u>(7,592)</u>
 Present Value of Minimum Lease Payments	 \$ <u>74,435</u>

**F. Long-term Debt**

Since Grundy County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Grundy County is not presenting government-wide financial statements.

**General Obligation Bonds and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and

other loans outstanding were issued for original terms of up to 25 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in the long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund. Other loans included in the long-term debt as of June 30, 2007, will be retired from the General Fund and the Industrial/Economic Development Fund.

General obligation bonds, other loans, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	3.4 to 4.75%	\$ 2,311,000	\$ 1,196,875
General Obligation Bond - Refunding	4.15	9,405,000	9,310,000
Other Loans	1.26 to 3	746,719	475,418
Capital Lease	6.8	104,435	74,435

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2008	\$ 655,919	\$ 436,157	\$ 49,438	\$ 11,188
2009	681,201	409,045	50,661	9,976
2010	706,495	380,814	51,904	8,722
2011	736,803	351,455	53,190	7,448
2012	767,127	320,836	54,508	6,130
2013-2017	3,739,330	1,122,263	215,717	10,632
2018-2021	3,220,000	340,924	0	0
Total	\$ 10,506,875	\$ 3,361,494	\$ 475,418	\$ 54,096

There is \$2,612,751 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$733, based on the 2000 federal census. Debt per capita, including bonds, other loans, and the capital lease totaled \$771, based on the 2000 federal census.

### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Other Loans	Landfill Postclosure Care Costs
Balance July 1, 2006	\$ 11,142,526	\$ 523,674	\$ 228,160
Deductions	(635,651)	(48,256)	(9,920)
Balance June 30, 2007	<u>\$ 10,506,875</u>	<u>\$ 475,418</u>	<u>\$ 218,240</u>
Balance Due Within One Year	<u>\$ 655,919</u>	<u>\$ 49,438</u>	<u>\$ 9,920</u>

On September 19, 2003, the county assumed \$427,739 of a Community Development Block Grant Industrial Development Loan. The original loan (\$699,000) had passed through Grundy County to an industrial corporation located in the county. This loan, along with interest of \$46,068, will be repaid over the next nine years.

During February 2004, Grundy County entered into a revocable contract with a private firm to provide postclosure care for the county's closed landfill. Terms of this agreement require the county to pay an annual fee of \$9,920 for postclosure care costs. The county is required to provide postclosure care for this closed landfill for the next 22 years. The June 30, 2007, postclosure care cost balance is based on the revocable contract of \$9,920 per year for the next 22 years.

## **IV. OTHER INFORMATION**

### **A. Risk Management**

Grundy County is exposed to various risks related to general liability, property, casualty, and workers' compensation. Grundy County is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the pool for general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims of more than \$100,000 for each insured event.

Grundy County provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk

pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Contingent Liabilities**

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**C. Landfill Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The Grundy County landfill stopped accepting household solid waste during the 1997-98 year and has contracted with a private company for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports closure and postclosure care costs as expenditures in each period in which they are incurred. The \$218,240 reported as landfill postclosure care cost liability at June 30, 2007, represents a revocable contract with a private firm for postclosure care cost of \$9,920 per year. The county is required to monitor the closed landfill for the next 22 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**D. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district includes Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general and the sheriffs and police chiefs of the participating law enforcement agencies within the judicial district. Grundy County made no contributions to the DTF for the year ended June 30, 2007, and does not have

any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Twelfth Judicial District  
375 Church Street, Suite 300  
Dayton, TN 37321

**E. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Grundy County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Grundy County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**Funding Policy**

Grundy County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially

determined rate; the rate for the fiscal year ended June 30, 2007, was 10.20 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grundy County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2007, Grundy County’s annual pension cost of \$322,540 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Grundy County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$322,540	100%	\$0
6-30-06	266,035	100	0
6-30-05	271,962	100	0

**F. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of Chapter 435, Private Acts of 1939, and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,087,189	\$ 2,022,012	\$ 2,022,012	\$ 65,177
Licenses and Permits	7,436	4,900	4,900	2,536
Fines, Forfeitures, and Penalties	34,692	24,225	24,225	10,467
Charges for Current Services	63,561	46,200	46,200	17,361
Other Local Revenues	52,084	24,600	30,531	21,553
Fees Received from County Officials	498,727	441,000	441,000	57,727
State of Tennessee	169,650	184,830	190,017	(20,367)
Federal Government	204,868	80,471	266,378	(61,510)
Other Governments and Citizens Groups	18,000	4,500	20,500	(2,500)
<b>Total Revenues</b>	<b>\$ 3,136,207</b>	<b>\$ 2,832,738</b>	<b>\$ 3,045,763</b>	<b>\$ 90,444</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 15,591	\$ 18,800	\$ 18,800	\$ 3,209
Board of Equalization	2,000	2,000	2,000	0
Beer Board	0	200	200	200
Other Boards and Committees	0	1,000	1,000	1,000
County Mayor/Executive	107,109	111,429	111,429	4,320
County Attorney	10,607	21,200	21,200	10,593
Election Commission	122,393	128,022	128,022	5,629
Register of Deeds	85,179	88,232	88,232	3,053
County Buildings	123,885	136,608	136,608	12,723
<u>Finance</u>				
Property Assessor's Office	109,128	114,086	114,086	4,958
County Trustee's Office	84,778	86,687	86,687	1,909
County Clerk's Office	117,670	118,394	118,694	1,024
<u>Administration of Justice</u>				
Circuit Court	184,055	191,528	191,528	7,473
General Sessions Judge	74,617	72,449	74,776	159
Chancery Court	83,485	84,577	84,577	1,092
Juvenile Court	47,331	46,865	47,765	434
Other Administration of Justice	600	1,000	1,000	400
<u>Public Safety</u>				
Sheriff's Department	674,668	571,932	680,020	5,352
Administration of the Sexual Offender Registry	424	500	500	76
Jail	368,155	370,651	371,651	3,496
Fire Prevention and Control	12,280	13,500	13,500	1,220
Rescue Squad	4,500	4,500	4,500	0
Other Emergency Management	136	2,000	2,000	1,864
County Coroner/Medical Examiner	0	2,100	2,100	2,100
Other Public Safety	37,363	2,000	38,364	1,001
<u>Public Health and Welfare</u>				
Local Health Center	44,037	111,884	111,884	67,847

(Continued)

Exhibit D-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Ambulance/Emergency Medical Services	\$ 125,000	\$ 125,000	\$ 125,000	\$ 0
Crippled Children Services	0	830	830	830
Regional Mental Health Center	7,000	7,000	7,000	0
General Welfare Assistance	2,495	2,500	2,500	5
Other Waste Disposal	21,543	38,750	38,750	17,207
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	36,157	36,225	36,225	68
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	52,606	54,625	54,625	2,019
Soil Conservation	21,731	22,958	22,958	1,227
<u>Other Operations</u>				
Tourism	1,085	10,000	10,000	8,915
Industrial Development	2,866	2,900	2,900	34
Other Economic and Community Development	14,169	0	177,031	162,862
Veterans' Services	12,673	12,687	12,687	14
Other Charges	149,200	153,800	153,800	4,600
Contributions to Other Agencies	19,200	21,000	21,000	1,800
Employee Benefits	254,956	273,239	273,239	18,283
Miscellaneous	18,362	22,000	22,000	3,638
<u>Principal on Debt</u>				
General Government	46,104	16,104	46,104	0
<u>Interest on Debt</u>				
General Government	1,944	1,944	1,944	0
Total Expenditures	\$ 3,098,582	\$ 3,105,206	\$ 3,461,216	\$ 362,634
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,625	\$ (272,468)	\$ (415,453)	\$ 453,078
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 104,435	\$ 0	\$ 104,435	\$ 0
Transfers In	6,314	0	6,314	0
Total Other Financing Sources (Uses)	\$ 110,749	\$ 0	\$ 110,749	\$ 0
Net Change in Fund Balance	\$ 148,374	\$ (272,468)	\$ (304,704)	\$ 453,078
Fund Balance, July 1, 2006	1,205,905	1,326,050	1,326,050	(120,145)
Fund Balance, June 30, 2007	\$ 1,354,279	\$ 1,053,582	\$ 1,021,346	\$ 332,933

Exhibit D-2

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 520,006	\$ 500,776	\$ 500,776	\$ 19,230
Other Local Revenues	7,020	6,000	6,270	750
Other Governments and Citizens Groups	10,000	10,000	10,000	0
Total Revenues	<u>\$ 537,026</u>	<u>\$ 516,776</u>	<u>\$ 517,046</u>	<u>\$ 19,980</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 494,602	\$ 557,547	\$ 557,817	\$ 63,215
Landfill Operation and Maintenance	10,345	22,000	32,000	21,655
<u>Other Operations</u>				
Other Charges	10,382	12,000	12,000	1,618
Total Expenditures	<u>\$ 515,329</u>	<u>\$ 591,547</u>	<u>\$ 601,817</u>	<u>\$ 86,488</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,697</u>	<u>\$ (74,771)</u>	<u>\$ (84,771)</u>	<u>\$ 106,468</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 10,000	\$ 0	\$ 10,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 31,697	\$ (74,771)	\$ (74,771)	\$ 106,468
Fund Balance, July 1, 2006	<u>1,470,179</u>	<u>1,459,939</u>	<u>1,459,939</u>	<u>10,240</u>
Fund Balance, June 30, 2007	<u>\$ 1,501,876</u>	<u>\$ 1,385,168</u>	<u>\$ 1,385,168</u>	<u>\$ 116,708</u>

Exhibit D-3

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Industrial/Economic Development Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 24,000	\$ 24,000	\$ (24,000)
Other Local Revenues	80,090	60,000	63,000	17,090
Federal Government	105,611	0	91,798	13,813
Total Revenues	<u>\$ 185,701</u>	<u>\$ 84,000</u>	<u>\$ 178,798</u>	<u>\$ 6,903</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 108,675	\$ 15,000	\$ 129,455	\$ 20,780
<u>Principal on Debt</u>				
General Government	32,152	29,509	32,152	0
<u>Interest on Debt</u>				
General Government	9,520	9,520	9,520	0
<u>Capital Projects</u>				
Public Health and Welfare Projects	184,018	146,553	184,053	35
Total Expenditures	<u>\$ 334,365</u>	<u>\$ 200,582</u>	<u>\$ 355,180</u>	<u>\$ 20,815</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (148,664)</u>	<u>\$ (116,582)</u>	<u>\$ (176,382)</u>	<u>\$ 27,718</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 59,800	\$ 0	\$ 59,800	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 59,800</u>	<u>\$ 0</u>	<u>\$ 59,800</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (88,864)	\$ (116,582)	\$ (116,582)	\$ 27,718
Fund Balance, July 1, 2006	<u>392,154</u>	<u>396,475</u>	<u>396,475</u>	<u>(4,321)</u>
Fund Balance, June 30, 2007	<u><u>\$ 303,290</u></u>	<u><u>\$ 279,893</u></u>	<u><u>\$ 279,893</u></u>	<u><u>\$ 23,397</u></u>

Exhibit D-4

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 105,582	\$ 70,000	\$ 70,000	\$ 35,582
Other Local Revenues	76,574	40,200	40,200	36,374
State of Tennessee	1,774,773	1,715,737	1,715,737	59,036
Total Revenues	<u>\$ 1,956,929</u>	<u>\$ 1,825,937</u>	<u>\$ 1,825,937</u>	<u>\$ 130,992</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 107,283	\$ 127,656	\$ 127,656	\$ 20,373
Highway and Bridge Maintenance	814,806	1,013,826	1,013,826	199,020
Operation and Maintenance of Equipment	235,878	287,450	287,450	51,572
Litter and Trash Collection	29,070	29,237	29,237	167
Other Charges	118,246	141,000	141,000	22,754
Employee Benefits	380,529	411,500	411,500	30,971
Capital Outlay	119,066	558,500	558,500	439,434
Total Expenditures	<u>\$ 1,804,878</u>	<u>\$ 2,569,169</u>	<u>\$ 2,569,169</u>	<u>\$ 764,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 152,051</u>	<u>\$ (743,232)</u>	<u>\$ (743,232)</u>	<u>\$ 895,283</u>
Net Change in Fund Balance	\$ 152,051	\$ (743,232)	\$ (743,232)	\$ 895,283
Fund Balance, July 1, 2006	<u>957,445</u>	<u>951,789</u>	<u>951,789</u>	<u>5,656</u>
Fund Balance, June 30, 2007	<u>\$ 1,109,496</u>	<u>\$ 208,557</u>	<u>\$ 208,557</u>	<u>\$ 900,939</u>

Grundy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**Required Supplementary Information**

Schedule of Funding Progress for Grundy County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 9,495	\$ 10,255	\$ 760	92.59 %	\$ 2,910	26.10 %
6-30-03	8,598	9,454	856	90.95	2,655	32.24
6-30-01	7,933	8,890	957	89.24	2,711	35.30

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

## Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Exhibit E-1

Grundy County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	<u>Special Revenue Funds</u>				<u>Capital</u>	<u>Total</u>
	<u>Courthouse</u> <u>and Jail</u> <u>Maintenance</u>	<u>Drug</u> <u>Control</u>	<u>Constitu -</u> <u>tional</u> <u>Officers -</u> <u>Fees</u>	<u>Total</u>	<u>Projects</u> <u>Fund</u>	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 384	\$ 384	\$ 0	\$ 384
Equity in Pooled Cash and Investments	26,223	22,529	0	48,752	432,052	480,804
<b>Total Assets</b>	<b>\$ 26,223</b>	<b>\$ 22,529</b>	<b>\$ 384</b>	<b>\$ 49,136</b>	<b>\$ 432,052</b>	<b>\$ 481,188</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 384	\$ 384	\$ 0	\$ 384
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 384</b>	<b>\$ 384</b>	<b>\$ 0</b>	<b>\$ 384</b>
<u>Fund Balances</u>						
Unreserved	\$ 26,223	\$ 22,529	\$ 0	\$ 48,752	\$ 432,052	\$ 480,804
<b>Total Fund Balances</b>	<b>\$ 26,223</b>	<b>\$ 22,529</b>	<b>\$ 0</b>	<b>\$ 48,752</b>	<b>\$ 432,052</b>	<b>\$ 480,804</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,223</b>	<b>\$ 22,529</b>	<b>\$ 384</b>	<b>\$ 49,136</b>	<b>\$ 432,052</b>	<b>\$ 481,188</b>

Exhibit E-2

Grundy County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 20,498	\$ 0	\$ 0	\$ 20,498	\$ 0	\$ 20,498
Fines, Forfeitures, and Penalties	0	15,244	0	15,244	0	15,244
Charges for Current Services	0	0	4,016	4,016	0	4,016
Other Local Revenues	0	1,825	0	1,825	0	1,825
<b>Total Revenues</b>	<b>\$ 20,498</b>	<b>\$ 17,069</b>	<b>\$ 4,016</b>	<b>\$ 41,583</b>	<b>\$ 0</b>	<b>\$ 41,583</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 23,724	\$ 0	\$ 0	\$ 23,724	\$ 0	\$ 23,724
Finance	0	0	100	100	0	100
Administration of Justice	0	0	3,916	3,916	0	3,916
Public Safety	0	41,281	0	41,281	0	41,281
Other Operations	205	668	0	873	0	873
<b>Total Expenditures</b>	<b>\$ 23,929</b>	<b>\$ 41,949</b>	<b>\$ 4,016</b>	<b>\$ 69,894</b>	<b>\$ 0</b>	<b>\$ 69,894</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,431)	\$ (24,880)	\$ 0	\$ (28,311)	\$ 0	\$ (28,311)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ (6,314)	\$ 0	\$ (6,314)	\$ (69,800)	\$ (76,114)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ (6,314)</b>	<b>\$ 0</b>	<b>\$ (6,314)</b>	<b>\$ (69,800)</b>	<b>\$ (76,114)</b>
Net Change in Fund Balances	\$ (3,431)	\$ (31,194)	\$ 0	\$ (34,625)	\$ (69,800)	\$ (104,425)
Fund Balance, July 1, 2006	29,654	53,723	0	83,377	501,852	585,229
<b>Fund Balance, June 30, 2007</b>	<b>\$ 26,223</b>	<b>\$ 22,529</b>	<b>\$ 0</b>	<b>\$ 48,752</b>	<b>\$ 432,052</b>	<b>\$ 480,804</b>

Exhibit E-3

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 20,498	\$ 30,000	\$ 30,000	\$ (9,502)
Total Revenues	\$ 20,498	\$ 30,000	\$ 30,000	\$ (9,502)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 23,724	\$ 30,000	\$ 30,000	\$ 6,276
<u>Other Operations</u>				
Other Charges	205	450	450	245
Total Expenditures	\$ 23,929	\$ 30,450	\$ 30,450	\$ 6,521
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,431)	\$ (450)	\$ (450)	\$ (2,981)
Net Change in Fund Balance	\$ (3,431)	\$ (450)	\$ (450)	\$ (2,981)
Fund Balance, July 1, 2006	29,654	29,430	29,430	224
Fund Balance, June 30, 2007	\$ 26,223	\$ 28,980	\$ 28,980	\$ (2,757)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 15,244	\$ 6,000	\$ 6,200	\$ 9,044
Other Local Revenues	1,825	0	1,825	0
Total Revenues	<u>\$ 17,069</u>	<u>\$ 6,000</u>	<u>\$ 8,025</u>	<u>\$ 9,044</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 41,281	\$ 46,600	\$ 41,711	\$ 430
<u>Other Operations</u>				
Other Charges	668	250	850	182
Total Expenditures	<u>\$ 41,949</u>	<u>\$ 46,850</u>	<u>\$ 42,561</u>	<u>\$ 612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,880)</u>	<u>\$ (40,850)</u>	<u>\$ (34,536)</u>	<u>\$ 9,656</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (6,314)	0	(6,314)	0
Total Other Financing Sources (Uses)	<u>\$ (6,314)</u>	<u>0</u>	<u>(6,314)</u>	<u>0</u>
Net Change in Fund Balance	\$ (31,194)	(40,850)	(40,850)	9,656
Fund Balance, July 1, 2006	<u>53,723</u>	<u>53,963</u>	<u>53,963</u>	<u>(240)</u>
Fund Balance, June 30, 2007	<u><u>\$ 22,529</u></u>	<u><u>\$ 13,113</u></u>	<u><u>\$ 13,113</u></u>	<u><u>\$ 9,416</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit F

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 680,179	\$ 639,122	\$ 639,122	\$ 41,057
Other Local Revenues	390,991	200,000	200,000	190,991
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,571,170</u>	<u>\$ 1,339,122</u>	<u>\$ 1,339,122</u>	<u>\$ 232,048</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 145,651	\$ 145,651	\$ 145,651	\$ 0
Education	490,000	490,000	490,000	0
<u>Interest on Debt</u>				
General Government	55,660	55,661	55,661	1
Education	410,553	410,554	410,554	1
<u>Other Debt Service</u>				
General Government	13,509	12,500	13,850	341
Education	600	2,000	2,000	1,400
Total Expenditures	<u>\$ 1,115,973</u>	<u>\$ 1,116,366</u>	<u>\$ 1,117,716</u>	<u>\$ 1,743</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 455,197</u>	<u>\$ 222,756</u>	<u>\$ 221,406</u>	<u>\$ 233,791</u>
Net Change in Fund Balance	\$ 455,197	\$ 222,756	\$ 221,406	\$ 233,791
Fund Balance, July 1, 2006	<u>2,157,554</u>	<u>2,116,824</u>	<u>2,116,824</u>	<u>40,730</u>
Fund Balance, June 30, 2007	<u>\$ 2,612,751</u>	<u>\$ 2,339,580</u>	<u>\$ 2,338,230</u>	<u>\$ 274,521</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Grundy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 530,070	\$ 530,070
Accounts Receivable	0	589	589
Due from Other Governments	84,424	0	84,424
Total Assets	<u>\$ 84,424</u>	<u>\$ 530,659</u>	<u>\$ 615,083</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 84,424	\$ 0	\$ 84,424
Due to Litigants, Heirs, and Others	0	530,659	530,659
Total Liabilities	<u>\$ 84,424</u>	<u>\$ 530,659</u>	<u>\$ 615,083</u>

Exhibit G-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 471,048	\$ 471,048	\$ 0
Due from Other Governments	88,461	84,424	88,461	84,424
Total Assets	\$ 88,461	\$ 555,472	\$ 559,509	\$ 84,424
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 88,461	\$ 555,472	\$ 559,509	\$ 84,424
Total Liabilities	\$ 88,461	\$ 555,472	\$ 559,509	\$ 84,424
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 607,349	\$ 1,893,147	\$ 1,970,426	\$ 530,070
Accounts Receivable	1,135	589	1,135	589
Total Assets	\$ 608,484	\$ 1,893,736	\$ 1,971,561	\$ 530,659
<u>Liabilities</u>				
Due to Other Funds	\$ 2,588	\$ 0	\$ 2,588	\$ 0
Due to Litigants, Heirs, and Others	605,896	1,893,736	1,968,973	530,659
Total Liabilities	\$ 608,484	\$ 1,893,736	\$ 1,971,561	\$ 530,659
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 471,048	\$ 471,048	\$ 0
Cash	607,349	1,893,147	1,970,426	530,070
Accounts Receivable	1,135	589	1,135	589
Due from Other Governments	88,461	84,424	88,461	84,424
Total Assets	\$ 696,945	\$ 2,449,208	\$ 2,531,070	\$ 615,083
<u>Liabilities</u>				
Due to Other Funds	\$ 2,588	\$ 0	\$ 2,588	\$ 0
Due to Other Taxing Units	88,461	555,472	559,509	84,424
Due to Litigants, Heirs, and Others	605,896	1,893,736	1,968,973	530,659
Total Liabilities	\$ 696,945	\$ 2,449,208	\$ 2,531,070	\$ 615,083

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Grundy County, Tennessee  
Schedule of Changes in Other Loans, Capital Lease, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Fund</u></b>								
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 161,489	\$ 0	\$ 16,104	\$ 145,385
<b><u>Payable through Industrial/Economic Development Fund</u></b>								
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	362,185	0	32,152	330,033
Total Other Loans Payable					<u>\$ 523,674</u>	<u>\$ 0</u>	<u>\$ 48,256</u>	<u>\$ 475,418</u>
<b><u>CAPITAL LEASE PAYABLE</u></b>								
<b><u>Payable through General Fund</u></b>								
Sheriff Vehicles	104,435	6.8	1-3-07	1-3-09	\$ 0	\$ 104,435	\$ 30,000	\$ 74,435
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
School Bond Series 1996	12,000,000	5.5 to 6	5-1-1996	5-1-07	\$ 395,000	\$ 0	\$ 395,000	\$ 0
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	1,280,000	0	140,000	1,140,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	9,405,000	0	95,000	9,310,000
General Obligation Bond-Convenience Centers	91,000	4.75	9-30-1999	9-30-14	62,526	0	5,651	56,875
Total Bonds Payable					<u>\$ 11,142,526</u>	<u>\$ 0</u>	<u>\$ 635,651</u>	<u>\$ 10,506,875</u>

Exhibit H-2

Grundy County, Tennessee

Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 655,919	\$ 436,157	\$ 1,092,076
2009	681,201	409,045	1,090,246
2010	706,495	380,814	1,087,309
2011	736,803	351,455	1,088,258
2012	767,127	320,836	1,087,963
2013	797,465	288,958	1,086,423
2014	837,820	255,818	1,093,638
2015	679,045	221,002	900,047
2016	700,000	192,767	892,767
2017	725,000	163,718	888,718
2018	755,000	133,630	888,630
2019	790,000	102,298	892,298
2020	820,000	69,513	889,513
2021	855,000	35,483	890,483
Total	<u>\$ 10,506,875</u>	<u>\$ 3,361,494</u>	<u>\$ 13,868,369</u>

Exhibit H-3

Grundy County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2007

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-07</u>
<u>Industrial/Economic Development Fund</u>						
Sewer Project for the Beersheba Springs Community	The Tennessee Conference of the United Methodist Church	\$ 96,000	2-23-04	2-23-08	3 %	<u>\$ 24,000</u>
Total Notes Receivable						<u><u>\$ 24,000</u></u>

Exhibit H-4

Grundy County, Tennessee  
Schedule of Leases Receivable  
For the Year Ended June 30, 2007

Description	Debtor	Original Amount of Lease- Purchase	Date of Issue	Date of Maturity	Balance 6-30-07
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of Spec Building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 145,000
"	All American	45,000	3-25-02	6-30-19	14,000
"	A & J Steel	212,622	3-12-04	3-31-17	170,101
"	Fireteam	233,185	8-22-05	10-31-09	209,853
"	Benchmark Tool and Die	750,000	3-29-07	3-31-30	<u>742,500</u>
Total Leases Receivable					<u>\$ 1,281,454</u>

Exhibit H-5

Grundy County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Drug Control	General	To provide funds for debt payment	\$ 6,314
General Capital Projects	Solid Waste/Sanitation	Postclosure care cost	10,000
General Capital Projects	Industrial/Economic Development	To provide funds for various projects	<u>59,800</u>
Total Transfers			<u>\$ 76,114</u>

Exhibit H-6

Grundy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,139	\$ 50,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	500,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	30,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	52,069	35,000	"
Register	Section 8-24-102, <u>TCA</u>	52,069	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,276	25,000	"
Public Employees Blanket Bond			150,000	Local Government Insurance Pool

Exhibit H-7

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2007

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,734,169	\$ 0	\$ 472,936	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,336	\$ 2,430,441
Trustee's Collections - Prior Year	110,740	0	30,202	0	0	0	0	14,263	155,205
Circuit/Clerk & Master Collections - Prior Years	34,590	0	9,434	0	0	0	0	4,455	48,479
Interest and Penalty	20,696	0	5,644	0	0	0	0	2,665	29,005
Payments in-Lieu-of Taxes - T.V.A.	1,035	0	282	0	0	0	0	133	1,450
Payments in-Lieu-of Taxes - Other	5,528	0	1,508	0	0	0	0	712	7,748
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	0	434,615	434,615
Litigation Tax - General	48,703	0	0	0	0	0	0	0	48,703
Litigation Tax - Special Purpose	0	20,498	0	0	0	0	0	0	20,498
Litigation Tax - Jail, Workhouse, or Courthouse	17,655	0	0	0	0	0	0	0	17,655
Business Tax	14,347	0	0	0	0	0	0	0	14,347
<u>Statutory Local Taxes</u>									
Bank Excise Tax	50,246	0	0	0	0	0	0	0	50,246
Wholesale Beer Tax	48,366	0	0	0	0	0	0	0	48,366
Interstate Telecommunications Tax	1,114	0	0	0	0	0	0	0	1,114
<b>Total Local Taxes</b>	<b>\$ 2,087,189</b>	<b>\$ 20,498</b>	<b>\$ 520,006</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 680,179</b>	<b>\$ 3,307,872</b>
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 603
Cable TV Franchise	6,833	0	0	0	0	0	0	0	6,833
<b>Total Licenses and Permits</b>	<b>\$ 7,436</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,436</b>
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,950	\$ 0	\$ 0	\$ 0	\$ 4,950
Data Entry Fee - Circuit Court	278	0	0	0	0	0	0	0	278
<u>General Sessions Court</u>									
Fines	4,798	0	0	0	0	0	0	0	4,798
Officers Costs	15,553	0	0	0	0	0	0	0	15,553
Jail Fees	2,636	0	0	0	0	0	0	0	2,636

(Continued)

Exhibit H-7

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court (Cont.)</u>									
DUI Treatment Fines	\$ 2,822	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,822
Data Entry Fee - General Sessions Court	2,840	0	0	0	0	0	0	0	2,840
<u>Juvenile Court</u>									
Fines	4,513	0	0	0	0	0	0	0	4,513
<u>Chancery Court</u>									
Officers Costs	492	0	0	0	0	0	0	0	492
Courtroom Security Fee	18	0	0	0	0	0	0	0	18
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	0	10,294	0	0	0	10,294
Data Entry Fee - Other Courts	742	0	0	0	0	0	0	0	742
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 34,692</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,244</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 49,936</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Residential Waste Collection Charge	\$ 48,462	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,462
Work Release Charges for Board	3,310	0	0	0	0	0	0	0	3,310
Other General Service Charges	0	0	0	0	0	0	105,582	0	105,582
<u>Fees</u>									
Vending Machine Collections	3,627	0	0	0	0	0	0	0	3,627
Constitutional Officers' Fees and Commissions	0	0	0	0	0	4,016	0	0	4,016
Data Processing Fee - Register	6,428	0	0	0	0	0	0	0	6,428
Data Processing Fee - Sheriff	234	0	0	0	0	0	0	0	234
Sexual Offender Registration Fees - Sheriff	1,500	0	0	0	0	0	0	0	1,500
<b>Total Charges for Current Services</b>	<b>\$ 63,561</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,016</b>	<b>\$ 105,582</b>	<b>\$ 0</b>	<b>\$ 173,159</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 7,685	\$ 0	\$ 0	\$ 0	\$ 390,991	\$ 398,676
Lease/Rentals	0	0	0	69,405	0	0	0	0	69,405
Sale of Gasoline	3,080	0	0	0	0	0	33,877	0	36,957
Miscellaneous Refunds	10,193	0	0	0	0	0	6,797	0	16,990

(Continued)

Exhibit H-7

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works		
<b>Other Local Revenues (Cont.)</b>									
<b>Nonrecurring Items</b>									
Sale of Equipment	\$ 2,925	\$ 0	\$ 0	\$ 0	\$ 1,025	\$ 0	\$ 35,900	\$ 0	\$ 39,850
Sale of Property	9,017	0	0	0	0	0	0	0	9,017
Contributions & Gifts	0	0	0	3,000	0	0	0	0	3,000
<b>Other Local Revenues</b>									
Other Local Revenues	26,869	0	7,020	0	800	0	0	0	34,689
<b>Total Other Local Revenues</b>	<b>\$ 52,084</b>	<b>\$ 0</b>	<b>\$ 7,020</b>	<b>\$ 80,090</b>	<b>\$ 1,825</b>	<b>\$ 0</b>	<b>\$ 76,574</b>	<b>\$ 390,991</b>	<b>\$ 608,584</b>
<b>Fees Received from County Officials</b>									
<b>Fees-In-Lieu of Salary</b>									
County Clerk	\$ 96,217	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 96,217
Circuit Court Clerk	54,020	0	0	0	0	0	0	0	54,020
General Sessions Court Clerk	73,370	0	0	0	0	0	0	0	73,370
Clerk and Master	48,825	0	0	0	0	0	0	0	48,825
Register	64,903	0	0	0	0	0	0	0	64,903
Sheriff	4,623	0	0	0	0	0	0	0	4,623
Trustee	156,769	0	0	0	0	0	0	0	156,769
<b>Total Fees Received from County Officials</b>	<b>\$ 498,727</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 498,727</b>
<b>State of Tennessee</b>									
<b>General Government Grants</b>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	6,043	0	0	0	0	0	0	0	6,043
<b>Health and Welfare Grants</b>									
Other Health and Welfare Grants	41,227	0	0	0	0	0	0	0	41,227
<b>Public Works Grants</b>									
Bridge Program	0	0	0	0	0	0	225,263	0	225,263
Litter Program	0	0	0	0	0	0	29,237	0	29,237
<b>Other State Revenues</b>									
Income Tax	2,581	0	0	0	0	0	0	0	2,581
Beer Tax	18,753	0	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	27,334	0	0	0	0	0	0	0	27,334
Contracted Prisoner Boarding	41,545	0	0	0	0	0	0	0	41,545

(Continued)

Exhibit H-7

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,503,695	\$ 0	\$ 1,503,695
Petroleum Special Tax	0	0	0	0	0	0	11,529	0	11,529
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	6,787	0	0	0	0	0	5,049	0	11,836
Total State of Tennessee	\$ 169,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,774,773	\$ 0	\$ 1,944,423
<u>Federal Government</u>									
<u>Federal Through State</u>									
Appalachian Regional Commission	\$ 10,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,600
Community Development	0	0	0	105,611	0	0	0	0	105,611
Homeland Security Grants	43,712	0	0	0	0	0	0	0	43,712
Other Federal through State	150,556	0	0	0	0	0	0	0	150,556
Total Federal Government	\$ 204,868	\$ 0	\$ 0	\$ 105,611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 310,479
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 2,000	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 512,000
Contracted Services	16,000	0	0	0	0	0	0	0	16,000
Total Other Governments and Citizens Groups	\$ 18,000	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 528,000
Total	\$ 3,136,207	\$ 20,498	\$ 537,026	\$ 185,701	\$ 17,069	\$ 4,016	\$ 1,956,929	\$ 1,571,170	\$ 7,428,616

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	8,850	
Audit Services		3,425	
Dues and Memberships		1,950	
Printing, Stationery, and Forms		1,366	
Total County Commission			\$ 15,591

Board of Equalization

Board and Committee Members Fees	\$	2,000	
Total Board of Equalization			2,000

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Assistant(s)		18,858	
Part-time Personnel		17,472	
Communication		2,149	
Data Processing Services		3,361	
Maintenance & Repair Services - Vehicles		322	
Postal Charges		1,376	
Travel		1,922	
Office Supplies		1,510	
Total County Mayor/Executive			107,109

County Attorney

County Official/Administrative Officer	\$	800	
Legal Services		9,807	
Total County Attorney			10,607

Election Commission

County Official/Administrative Officer	\$	46,862	
Clerical Personnel		16,414	
Board and Committee Members Fees		3,955	
Election Workers		25,127	
In-Service Training		4,666	
Communication		3,778	
Data Processing Services		4,365	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		6,428	
Maintenance & Repair Services - Equipment		817	
Postal Charges		1,992	
Printing, Stationery, and Forms		887	

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Travel	\$	3,502	
Office Supplies		2,257	
Office Equipment		1,043	
Total Election Commission			\$ 122,393

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		18,858	
Part-time Personnel		1,018	
Communication		1,116	
Data Processing Services		6,306	
Dues and Memberships		755	
Postal Charges		541	
Travel		350	
Other Contracted Services		3,162	
Office Supplies		1,004	
Total Register of Deeds			85,179

County Buildings

Custodial Personnel	\$	19,956	
Communication		6,360	
Maintenance & Repair Services - Buildings		31,455	
Other Contracted Services		5,010	
Custodial Supplies		2,778	
Duplicating Supplies		3,521	
Electricity		26,231	
Natural Gas		16,160	
Water and Sewer		10,514	
Other Supplies and Materials		1,900	
Total County Buildings			123,885

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		25,562	
Part-time Personnel		8,097	
Audit Services		5,705	
Communication		3,440	
Data Processing Services		7,388	
Dues and Memberships		400	

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Postal Charges	\$	736	
Printing, Stationery, and Forms		1,000	
Travel		3,288	
Office Supplies		1,443	
Total Property Assessor's Office			\$ 109,128

County Trustee's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		18,858	
Part-time Personnel		840	
Communication		1,376	
Data Processing Services		4,554	
Dues and Memberships		755	
Postal Charges		3,788	
Printing, Stationery, and Forms		483	
Travel		495	
Office Supplies		1,560	
Total County Trustee's Office			84,778

County Clerk's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		55,612	
Communication		2,972	
Dues and Memberships		455	
Postal Charges		2,796	
Travel		112	
Office Supplies		3,654	
Total County Clerk's Office			117,670

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		69,284	
Part-time Personnel		7,901	
Jury and Witness Fees		24,970	
Communication		4,223	
Data Processing Services		10,729	
Dues and Memberships		930	
Postal Charges		2,378	
Printing, Stationery, and Forms		1,119	

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Travel	\$	140	
Duplicating Supplies		1,500	
Office Supplies		8,812	
Total Circuit Court			\$ 184,055

General Sessions Judge

Judge(s)	\$	72,826	
Communication		856	
Travel		935	
Total General Sessions Judge			74,617

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		18,858	
Part-time Personnel		500	
Communication		1,362	
Data Processing Services		5,460	
Dues and Memberships		715	
Legal Notices, Recording, and Court Costs		155	
Postal Charges		1,224	
Office Supplies		3,142	
Total Chancery Court			83,485

Juvenile Court

Youth Service Officer(s)	\$	24,310	
Part-time Personnel		11,192	
Communication		1,820	
Postal Charges		1,459	
Rentals		3,600	
Travel		420	
Office Supplies		1,713	
Other Charges		2,817	
Total Juvenile Court			47,331

Other Administration of Justice

Drug Treatment	\$	600	
Total Other Administration of Justice			600

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Deputy(ies)		335,423	
School Resource Officer		22,000	
In-Service Training		10,294	
Communication		912	
Maintenance & Repair Services - Vehicles		23,134	
Postal Charges		983	
Printing, Stationery, and Forms		1,220	
Other Contracted Services		7,650	
Gasoline		70,694	
Office Supplies		4,704	
Tires and Tubes		4,250	
Uniforms		5,001	
Other Supplies and Materials		639	
Liability Insurance		11,000	
Communication Equipment		7,392	
Law Enforcement Equipment		3,847	
Motor Vehicles		108,249	
Total Sheriff's Department			\$ 674,668

Administration of the Sexual Offender Registry

Communication	\$	424	
Total Administration of the Sexual Offender Registry			424

Jail

Accountants/Bookkeepers	\$	23,956	
Guards		182,417	
Cafeteria Personnel		14,578	
Communication		10,082	
Contracts with Government Agencies		4,334	
Medical and Dental Services		62,003	
Transportation - Other than Students		200	
Custodial Supplies		432	
Electricity		10,482	
Food Supplies		44,680	
Natural Gas		5,507	
Water and Sewer		6,075	
Other Supplies and Materials		3,409	
Total Jail			368,155

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Other Public Agencies	\$	9,780	
Contributions		<u>2,500</u>	
Total Fire Prevention and Control	\$		12,280

Rescue Squad

Contributions	\$	<u>4,500</u>	
Total Rescue Squad			4,500

Other Emergency Management

Assistant(s)	\$	<u>136</u>	
Total Other Emergency Management			136

Other Public Safety

Contributions	\$	2,000	
Other Equipment		<u>35,363</u>	
Total Other Public Safety			37,363

Public Health and Welfare

Local Health Center

Medical Personnel	\$	19,730	
Custodial Personnel		9,274	
Communication		2,045	
Dues and Memberships		100	
Maintenance & Repair Services - Equipment		500	
Postal Charges		900	
Other Contracted Services		354	
Electricity		3,862	
Natural Gas		3,800	
Office Supplies		917	
Water and Sewer		1,155	
Other Supplies and Materials		<u>1,400</u>	
Total Local Health Center			44,037

Ambulance/Emergency Medical Services

Contributions	\$	<u>125,000</u>	
Total Ambulance/Emergency Medical Services			125,000

Regional Mental Health Center

Contributions	\$	<u>7,000</u>	
Total Regional Mental Health Center			7,000

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Contracts with Other Public Agencies	\$ 2,495	
Total General Welfare Assistance		\$ 2,495

Other Waste Disposal

Communication	\$ 894	
Maintenance & Repair Services - Vehicles	500	
Postal Charges	246	
Other Contracted Services	9,249	
Electricity	6,517	
Gasoline	238	
Office Supplies	146	
Water and Sewer	284	
Testing	471	
Other Supplies and Materials	2,998	
Total Other Waste Disposal		21,543

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 1,500	
Total Senior Citizens Assistance		1,500

Libraries

Librarians	\$ 36,157	
Total Libraries		36,157

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 48,447	
Communication	3,703	
Duplicating Supplies	456	
Total Agriculture Extension Service		52,606

Soil Conservation

Clerical Personnel	\$ 17,958	
Communication	1,303	
Travel	520	
Other Supplies and Materials	987	
Other Charges	963	
Total Soil Conservation		21,731

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations

Tourism

Other Supplies and Materials	\$ 1,085	
Total Tourism		\$ 1,085

Industrial Development

Contributions	\$ 2,866	
Total Industrial Development		2,866

Other Economic and Community Development

Contracts with Government Agencies	\$ 2,075	
Other Capital Outlay	12,094	
Total Other Economic and Community Development		14,169

Veterans' Services

Supervisor/Director	\$ 9,427	
Dues and Memberships	25	
Postal Charges	351	
Travel	2,870	
Total Veterans' Services		12,673

Other Charges

Building and Contents Insurance	\$ 9,000	
Liability Insurance	38,563	
Premiums on Corporate Surety Bonds	4,207	
Trustee's Commission	41,111	
Workers' Compensation Insurance	56,319	
Total Other Charges		149,200

Contributions to Other Agencies

Contributions	\$ 19,200	
Total Contributions to Other Agencies		19,200

Employee Benefits

Social Security	\$ 97,443	
State Retirement	86,754	
Medical Insurance	37,391	
Unemployment Compensation	10,579	
Employer Medicare	22,789	
Total Employee Benefits		254,956

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Charges	\$ 18,362	
Total Miscellaneous		\$ 18,362

Principal on Debt

General Government

Principal on Capital Leases	\$ 30,000	
Principal on Other Loans	16,104	
Total General Government		46,104

Interest on Debt

General Government

Interest on Other Loans	\$ 1,944	
Total General Government		1,944

Total General Fund		\$ 3,098,582
--------------------	--	--------------

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 23,724	
Total County Buildings		\$ 23,724

Other Operations

Other Charges

Trustee's Commission	\$ 205	
Total Other Charges		205

Total Courthouse & Jail Maintenance Fund		23,929
--	--	--------

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$ 58,082
Maintenance Personnel	30,450
Part-time Personnel	110,654
Social Security	14,765
Communication	4,980
Maintenance & Repair Services - Vehicles	22,355
Disposal Fees	199,683
Diesel Fuel	36,125

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

<u>Solid Waste/Sanitation Fund (Cont.)</u>			
<u>Public Health and Welfare (Cont.)</u>			
<u>Convenience Centers (Cont.)</u>			
Electricity	\$	6,425	
Water and Sewer		1,873	
Other Supplies and Materials		4,992	
Solid Waste Equipment		<u>4,218</u>	
Total Convenience Centers			\$ 494,602
<u>Landfill Operation and Maintenance</u>			
Contracts with Private Agencies	\$	9,920	
Other Supplies and Materials		<u>425</u>	
Total Landfill Operation and Maintenance			10,345
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	<u>10,382</u>	
Total Other Charges			<u>10,382</u>
Total Solid Waste/Sanitation Fund			\$ 515,329
<u>Industrial/Economic Development Fund</u>			
<u>Other Operations</u>			
<u>Industrial Development</u>			
Other Charges	\$	554	
Other Construction		<u>108,121</u>	
Total Industrial Development			\$ 108,675
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Other Loans	\$	<u>32,152</u>	
Total General Government			32,152
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Other Loans	\$	<u>9,520</u>	
Total General Government			9,520
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Other Construction	\$	<u>184,018</u>	
Total Public Health and Welfare Projects			<u>184,018</u>
Total Industrial/Economic Development Fund			334,365

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Drug Control Fund

Public Safety

Drug Enforcement

Law Enforcement Supplies	\$	1,640	
Other Supplies and Materials		1,143	
Other Charges		2,898	
Law Enforcement Equipment		<u>35,600</u>	
Total Drug Enforcement			\$ 41,281

Other Operations

Other Charges

Trustee's Commission	\$	668	
Total Other Charges			<u>668</u>

Total Drug Control Fund \$ 41,949

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>100</u>	
Total County Clerk's Office			\$ 100

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	<u>3,916</u>	
Total Chancery Court			<u>3,916</u>

Total Constitutional Officers - Fees Fund 4,016

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,276
Accountants/Bookkeepers		31,630
Advertising		200
Communication		4,033
Data Processing Services		3,642
Dues and Memberships		3,501
Evaluation and Testing		600
Maintenance & Repair Services - Office Equipment		501
Postal Charges		238
Printing, Stationery, and Forms		68
Rentals		40

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	1,064	
Data Processing Supplies		69	
Electricity		3,406	
Office Supplies		316	
Water and Sewer		280	
Other Charges		419	
Total Administration			\$ 107,283

Highway and Bridge Maintenance

Supervisor/Director	\$	31,630	
Foremen		31,630	
Equipment Operators - Heavy		94,600	
Equipment Operators - Light		22,464	
Truck Drivers		239,016	
Laborers		22,378	
Asphalt - Liquid		141,426	
Crushed Stone		212,898	
Ice		431	
Pipe		15,855	
Road Signs		341	
Other Supplies and Materials		784	
Other Charges		1,353	
Total Highway and Bridge Maintenance			814,806

Operation and Maintenance of Equipment

Mechanic(s)	\$	52,936	
Nightwatchmen		15,120	
Maintenance & Repair Services - Equipment		1,843	
Diesel Fuel		99,327	
Equipment and Machinery Parts		26,466	
Garage Supplies		1,567	
Gasoline		23,041	
Lubricants		2,858	
Propane Gas		1,291	
Small Tools		4	
Tires and Tubes		7,715	
Other Supplies and Materials		1,005	
Other Charges		2,705	
Total Operation and Maintenance of Equipment			235,878

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection

Laborers	\$	21,840	
Social Security		1,587	
Maintenance & Repair Services - Vehicles		50	
Gasoline		1,000	
Instructional Supplies and Materials		4,393	
Tires and Tubes		200	
Total Litter and Trash Collection			\$ 29,070

Other Charges

Liability Insurance	\$	26,782	
Trustee's Commission		15,194	
Workers' Compensation Insurance		76,270	
Total Other Charges			118,246

Employee Benefits

Social Security	\$	35,473	
State Retirement		54,324	
Employee and Dependent Insurance		280,220	
Employer Medicare		10,410	
Other Fringe Benefits		102	
Total Employee Benefits			380,529

Capital Outlay

Engineering Services	\$	2,984	
Communication Equipment		15	
Highway Construction		1,000	
Highway Equipment		115,067	
Total Capital Outlay			119,066

Total Highway/Public Works Fund \$ 1,804,878

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	145,651	
Total General Government			\$ 145,651

Education

Principal on Bonds	\$	490,000	
Total Education			490,000

(Continued)

Exhibit H-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 55,660	
Total General Government		\$ 55,660

Education

Interest on Bonds	\$ 410,553	
Total Education		410,553

Other Debt Service

General Government

Trustee's Commission	\$ 13,159	
Other Debt Service	350	
Total General Government		13,509

Education

Other Debt Service	\$ 600	
Total Education		<u>600</u>

Total General Debt Service Fund		<u>\$ 1,115,973</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 6,939,021</u></u>
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Exhibit H-9

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 471,048
Total Cash Receipts	<u>\$ 471,048</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 466,338
Trustee's Commission	4,710
Total Cash Disbursements	<u>\$ 471,048</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*DEVAN FLYNN, CFE*  
*JENI PALADENI*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**GRUNDY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Grundy County School Department  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Grundy County School Department as of and for the year ended June 30, 2007.

## ***Results***

Our report on the Grundy County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in eight findings and recommendations, which we have reviewed with Grundy County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **GRUNDY COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department has not met their work plan to implement Governmental Accounting Standards Board Statement No. 34.
- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in the General Purpose School and School Federal Projects Funds.
- ◆ Contracts or other documentation were not on hand to support additional duties for which employees were paid. Time sheets were not always approved and signed by a supervisor, principal, or department head. Time sheets did not always include relevant information such as actual hours worked. Some time sheets were submitted to and paid by the payroll department before the end of the work period. Some time sheets submitted by employees for various duties overlapped time sheets for other duties performed on the same day.
- ◆ Questionable travel reimbursements and stipends totaling \$4,344 were paid to school employees.
- ◆ In some instances, invoices were not on file to support purchases. Invoices were paid without documentation that goods had been received or services had been rendered.

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

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## INTRODUCTORY SECTION

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Grundy County School Officials  
June 30, 2007

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**Official**

Joel Hargis, Director of Schools

**Board of Education**

Ronald Givens, Chairman  
Willene Campbell  
James Conry  
Harold Dykes  
Paul Gallagher

Mike Gifford  
Rose Rust  
Charles Sanders  
Leon Woodlee

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

October 1, 2007

Grundy County Director of Schools and  
Board of Education  
Grundy County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Grundy County School Department, a component unit of Grundy County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 31, which collectively comprise a portion of the Grundy County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Grundy County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Grundy County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require School Departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Grundy County School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Grundy County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

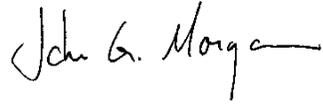
In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2007, on our consideration of the Grundy County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 35 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grundy County School Department's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated

in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Grundy County, Tennessee  
Balance Sheet - Governmental Funds  
Grundy County School Department  
June 30, 2007

	Major Funds		Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,284,497	\$ 191,248	\$ 1,475,745
Accounts Receivable	3,465	0	3,465
Due from Other Governments	428,408	23,500	451,908
Due from Other Funds	0	1,144	1,144
Property Taxes Receivable	1,525,411	0	1,525,411
Allowance for Uncollectible Property Taxes	(51,453)	0	(51,453)
Prepaid Items	2,832	0	2,832
Total Assets	<u>\$ 3,193,160</u>	<u>\$ 215,892</u>	<u>\$ 3,409,052</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 1,144	\$ 0	\$ 1,144
Deferred Revenue - Current Property Taxes	1,388,014	0	1,388,014
Deferred Revenue - Delinquent Property Taxes	80,644	0	80,644
Other Deferred Revenues	40,000	0	40,000
Total Liabilities	<u>\$ 1,509,802</u>	<u>\$ 0</u>	<u>\$ 1,509,802</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 138,758	\$ 14,031	\$ 152,789
Reserved for Career Ladder - Extended Contract	38,728	0	38,728
Reserved for Career Ladder Program	25,398	0	25,398
Reserved for Title I Grants to Local Education Agencies	0	59,066	59,066
Reserved for Innovative Education Program Strategies	0	31,346	31,346
Reserved for Special Education - Grants to States	0	56,966	56,966
Other Federal Reserves	0	54,483	54,483
Unreserved, Reported In:			
General Fund	1,480,474	0	1,480,474
Total Fund Balances	<u>\$ 1,683,358</u>	<u>\$ 215,892</u>	<u>\$ 1,899,250</u>
Total Liabilities and Fund Balances	<u>\$ 3,193,160</u>	<u>\$ 215,892</u>	<u>\$ 3,409,052</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Grundy County School Department  
For the Year Ended June 30, 2007

	<u>Major Funds</u>		
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,853,663	\$ 0	\$ 1,853,663
Licenses and Permits	603	0	603
Charges for Current Services	586,938	0	586,938
Other Local Revenues	105,302	8,820	114,122
State of Tennessee	12,379,551	0	12,379,551
Federal Government	1,651,218	1,933,128	3,584,346
Total Revenues	<u>\$ 16,577,275</u>	<u>\$ 1,941,948</u>	<u>\$ 18,519,223</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,027,648	\$ 1,468,153	\$ 10,495,801
Support Services	4,965,339	407,925	5,373,264
Operation of Non-Instructional Services	1,783,380	0	1,783,380
Capital Outlay	227,843	0	227,843
Debt Service:			
Principal on Debt	61,746	10,002	71,748
Interest on Debt	6,572	251	6,823
Other Debt Service	500,000	0	500,000
Total Expenditures	<u>\$ 16,572,528</u>	<u>\$ 1,886,331</u>	<u>\$ 18,458,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,747</u>	<u>\$ 55,617</u>	<u>\$ 60,364</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 42,473	\$ 0	\$ 42,473
Total Other Financing Sources (Uses)	<u>\$ 42,473</u>	<u>\$ 0</u>	<u>\$ 42,473</u>
Net Change in Fund Balances	\$ 47,220	\$ 55,617	\$ 102,837
Fund Balance, July 1, 2006	<u>1,636,138</u>	<u>160,275</u>	<u>1,796,413</u>
Fund Balance, June 30, 2007	<u>\$ 1,683,358</u>	<u>\$ 215,892</u>	<u>\$ 1,899,250</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

Grundy County School Department  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2007

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 13,224
Total Assets	<u>\$ 13,224</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 13,224</u>
Total Net Assets	<u><u>\$ 13,224</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Grundy County School Department  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2007

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Contributions and Gifts	\$ 1,969
Total Additions	<u>\$ 1,969</u>
<u>DEDUCTIONS</u>	
Awards	\$ 175
Total Deductions	<u>\$ 175</u>
Change in Net Assets	\$ 1,794
Net Assets, July 1, 2006	<u>11,430</u>
Net Assets, June 30, 2007	<u><u>\$ 13,224</u></u>

The notes to the financial statements are an integral part of this statement.

**GRUNDY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grundy County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Grundy County elect its nine-member board. The School Department is a component unit of Grundy County, the primary government. The School Department is fiscally dependent on Grundy County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Grundy County Commission's approval. The School

Department's taxes are levied under the taxing authority of Grundy County and are included as part of Grundy County's total tax levy.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The School Department has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund is reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Purpose School Fund and the School Federal Projects Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred,

regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental funds:

**General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

**School Federal Projects Fund** – This fund is used to account for restricted federal revenues which must be expended on specific education programs.

Additionally, the School Department reports the following fund type:

**Private Purpose Trust Fund** – The Other Trust Fund is used to account for savings bond awards given to Grundy County students who win an essay contest and a spelling bee. Money for this fund was provided by a citizen.

**C. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize Grundy County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Grundy County and Grundy County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Grundy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized

cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

**2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.85 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

**4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**5. Compensated Absences**

General policy of the School Department does not allow for the accumulation of vacation and sick days beyond the year-end, except for the unlimited accumulation of unused sick days for all professional personnel (teachers). The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**6. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Grundy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Programs, Attendance, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Grundy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

### B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Purpose School and School Federal Projects Funds by \$40,961 and \$115,163, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Grundy County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the financial statements represents nonpooled amounts held separately by the individual funds.

## Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

## Investments

**Legal Provisions.** Counties, the School Department's primary government, are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2007, Grundy County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 5,059,922
Total		<u>\$ 5,059,922</u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Grundy County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Grundy County has no investment policy that would further limit its investment choices. As of June 30, 2007, Grundy County's investment in the State Treasurer's Investment Pool was unrated.

**B. Insurance Recoveries**

During the period examined, the School Department had storm damage to some of its buildings, two of its buses, and an air conditioning unit. Insurance recoveries of \$42,473 were used to repair the damage to these buildings, buses, and air conditioning unit.

**C. Interfund Receivables**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Federal Projects	General Purpose School	\$ 1,144

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**D. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be

reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Capital Outlay Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to six years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes included in the long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2007, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-07</u>
Capital Outlay Notes	2.71 to 5.25 %	\$ 327,000	\$ 97,771

The annual requirements to amortize all notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

<u>Year Ending June 30</u>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 64,807	\$ 3,881
2009	21,566	1,006
2010	11,398	393
Total	<u>\$ 97,771</u>	<u>\$ 5,280</u>

Debt per capita totaled \$6.82, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	<u>Notes</u>
Balance, July 1, 2006	\$ 169,519
Deductions	<u>(71,748)</u>
Balance, June 30, 2007	<u>\$ 97,771</u>
Balance Due Within One Year	<u>\$ 64,807</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The School Department pays annual premiums to these pools for general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Contingent Liabilities**

The School Department is involved in one pending lawsuit. The School Department's attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**C. Change in Administration**

On September 12, 2006, Phyllis Lusk left the Office of Interim Director of Schools and was succeeded by Joel Hargis as director of schools.

**D. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Grundy County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Grundy County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the School Department participates in Grundy County's plan, retirement information for the School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.E. of the Annual Financial Report of Grundy County, Tennessee.

## **School Teachers**

### **Plan Description**

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$544,957, \$462,542, and \$457,589, respectively, equal to the required contributions for each year.

**E. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and the chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,853,663	\$ 0	\$ 0	\$ 1,853,663	\$ 1,776,846	\$ 1,776,846	\$ 76,817
Licenses and Permits	603	0	0	603	600	600	3
Charges for Current Services	586,938	0	0	586,938	558,698	607,573	(20,635)
Other Local Revenues	105,302	0	0	105,302	10,000	105,159	143
State of Tennessee	12,379,551	0	0	12,379,551	11,924,473	12,186,145	193,406
Federal Government	1,651,218	0	0	1,651,218	1,373,907	1,665,202	(13,984)
<b>Total Revenues</b>	<b>\$ 16,577,275</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 16,577,275</b>	<b>\$ 15,644,524</b>	<b>\$ 16,341,525</b>	<b>\$ 235,750</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,467,110	\$ (118,500)	\$ 58,855	\$ 6,407,465	\$ 6,342,628	\$ 6,383,065	\$ (24,400)
Alternative Instruction Program	115,593	0	500	116,093	151,326	124,766	8,673
Special Education Program	1,901,087	(3,897)	33,870	1,931,060	1,934,356	1,929,237	(1,823)
Vocational Education Program	503,879	0	1,155	505,034	504,996	504,996	(38)
Adult Education Program	39,979	(509)	0	39,470	43,558	44,059	4,589
<u>Support Services</u>							
Attendance	53,382	0	0	53,382	49,318	52,434	(948)
Health Services	73,522	0	0	73,522	82,578	82,578	9,056
Other Student Support	294,905	0	0	294,905	269,375	290,404	(4,501)
Regular Instruction Program	186,226	0	0	186,226	180,319	179,185	(7,041)
Special Education Program	213,490	0	0	213,490	206,608	214,195	705
Vocational Education Program	81,512	0	0	81,512	79,406	81,698	186
Adult Programs	46,189	0	0	46,189	43,294	43,294	(2,895)
Board of Education	249,892	(25,000)	0	224,892	225,695	240,039	15,147
Director of Schools	132,585	0	0	132,585	132,292	125,758	(6,827)
Office of the Principal	649,616	0	0	649,616	592,121	631,672	(17,944)

(Continued)

Exhibit D-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 81,002	\$ 0	\$ 0	\$ 81,002	\$ 85,659	\$ 86,034	\$ 5,032
Operation of Plant	1,045,854	0	4,179	1,050,033	985,134	986,840	(63,193)
Maintenance of Plant	296,180	(7,657)	13,837	302,360	319,588	326,227	23,867
Transportation	655,812	(134,976)	1,155	521,991	620,551	515,224	(6,767)
Central and Other	905,172	0	0	905,172	502,467	891,856	(13,316)
<u>Operation of Non-Instructional Services</u>							
Food Service	1,469,248	0	120	1,469,368	1,452,271	1,515,058	45,690
Community Services	33,150	0	150	33,300	33,300	33,300	0
Early Childhood Education	280,982	(1,200)	8,122	287,904	183,820	286,881	(1,023)
<u>Capital Outlay</u>							
Regular Capital Outlay	227,843	(25,835)	16,815	218,823	130,000	181,333	(37,490)
<u>Principal on Debt</u>							
Education	61,746	0	0	61,746	89,350	89,350	27,604
<u>Interest on Debt</u>							
Education	6,572	0	0	6,572	13,268	13,268	6,696
<u>Other Debt Service</u>							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 16,572,528	\$ (317,574)	\$ 138,758	\$ 16,393,712	\$ 15,253,278	\$ 16,352,751	\$ (40,961)
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 4,747	\$ 317,574	\$ (138,758)	\$ 183,563	\$ 391,246	\$ (11,226)	\$ 194,789
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 42,473	\$ 0	\$ 0	\$ 42,473	\$ 0	\$ 42,473	\$ 0
Transfers In	0	0	0	0	4,500	4,500	(4,500)

(Continued)

Exhibit D-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (500,000)	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 42,473	\$ 0	\$ 0	\$ 42,473	\$ (495,500)	\$ 46,973	\$ (4,500)
Net Change in Fund Balance	\$ 47,220	\$ 317,574	\$ (138,758)	\$ 226,036	\$ (104,254)	\$ 35,747	\$ 190,289
Fund Balance, July 1, 2006	1,636,138	(317,574)	0	1,318,564	1,327,900	1,327,900	(9,336)
Fund Balance, June 30, 2007	\$ 1,683,358	\$ 0	\$ (138,758)	\$ 1,544,600	\$ 1,223,646	\$ 1,363,647	\$ 180,953

Exhibit D-2

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 8,820	\$ 0	\$ 8,820	\$ 0	\$ 6,985	\$ 1,835
Federal Government	1,933,128	0	1,933,128	1,768,319	1,791,819	141,309
<b>Total Revenues</b>	<b>\$ 1,941,948</b>	<b>\$ 0</b>	<b>\$ 1,941,948</b>	<b>\$ 1,768,319</b>	<b>\$ 1,798,804</b>	<b>\$ 143,144</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 763,022	\$ 1,504	\$ 764,526	\$ 806,823	\$ 807,846	\$ 43,320
Special Education Program	640,503	0	640,503	619,682	618,374	(22,129)
Vocational Education Program	64,628	11,165	75,793	63,266	86,766	10,973
<u>Support Services</u>						
Other Student Support	38,521	886	39,407	12,537	12,537	(26,870)
Regular Instruction Program	315,269	476	315,745	201,052	202,975	(112,770)
Special Education Program	36,836	0	36,836	36,034	41,380	4,544
Vocational Education Program	11,972	0	11,972	0	0	(11,972)
Transportation	5,327	0	5,327	15,321	15,321	9,994
<u>Principal on Debt</u>						
Education	10,002	0	10,002	0	0	(10,002)
<u>Interest on Debt</u>						
Education	251	0	251	0	0	(251)
<b>Total Expenditures</b>	<b>\$ 1,886,331</b>	<b>\$ 14,031</b>	<b>\$ 1,900,362</b>	<b>\$ 1,754,715</b>	<b>\$ 1,785,199</b>	<b>\$ (115,163)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 55,617	\$ (14,031)	\$ 41,586	\$ 13,604	\$ 13,605	\$ 27,981

(Continued)

Exhibit D-2

Grundv County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundv County School Department  
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ (13,604)	\$ (13,604)	\$ 13,604
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (13,604)	\$ (13,604)	\$ 13,604
Net Change in Fund Balance	\$ 55,617	\$ (14,031)	\$ 41,586	\$ 0	\$ 1	\$ 41,585
Fund Balance, July 1, 2006	160,275	0	160,275	182,973	182,973	(22,698)
Fund Balance, June 30, 2007	\$ 215,892	\$ (14,031)	\$ 201,861	\$ 182,973	\$ 182,974	\$ 18,887

**GRUNDY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**A. BUDGETARY INFORMATION**

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Grundy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Grundy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Purpose School and School Federal Projects Funds by \$40,961 and \$115,163, respectively. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Grundy County, Tennessee  
Schedule of Changes in Long-term Notes  
Grundy County School Department  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Capital Improvements	\$ 175,000	5.25 %	10-17-01	10-25-07	\$ 64,744	\$ 31,353	\$ 33,391
School Bus	48,682	3.85	8-21-02	8-21-07	20,598	10,102	10,496
School Bus	50,000	2.71	7-29-03	7-29-08	30,811	9,994	20,817
School Bus	53,318	3.4	10-18-04	10-18-09	43,364	10,297	33,067
Total Payable through General Purpose School Fund					<u>\$ 159,517</u>	<u>\$ 61,746</u>	<u>\$ 97,771</u>
<u>Payable through School Federal Projects Fund</u>							
Special Education Bus	29,225	2.69	9-29-03	9-29-06	\$ 10,002	\$ 10,002	\$ 0
Total Notes Payable					<u>\$ 169,519</u>	<u>\$ 71,748</u>	<u>\$ 97,771</u>

Exhibit E-2

Grundy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Grundy County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools:				
Phyllis Lusk (7-1-06 to 9-12-06)	State Board of Education and Grundy County Board of Education	\$ 14,488	\$ 100,000	Western Surety Company
Joel Hargis (9-13-06 to 6-30-07)	State Board of Education and Grundy County Board of Education	52,043 (1)	100,000	"
Public Employees Blanket Bond			150,000	Local Government Insurance Pool

(1) Includes chief executive officer training supplement of \$1,000.

## Exhibit E-3

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Grundy County School Department  
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,261,130	\$ 0	\$ 1,261,130
Trustee's Collections - Prior Year	80,538	0	80,538
Circuit/Clerk & Master Collections - Prior Years	25,157	0	25,157
Interest and Penalty	15,051	0	15,051
Payments in-Lieu-of Taxes - T.V.A.	752	0	752
Payments in-Lieu-of Taxes - Other	4,021	0	4,021
<u>County Local Option Taxes</u>			
Local Option Sales Tax	450,253	0	450,253
Business Tax	14,347	0	14,347
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	2,414	0	2,414
Total Local Taxes	\$ 1,853,663	\$ 0	\$ 1,853,663
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 603	\$ 0	\$ 603
Total Licenses and Permits	\$ 603	\$ 0	\$ 603
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Other	\$ 25,731	\$ 0	\$ 25,731
Receipts from Individual Schools	561,207	0	561,207
Total Charges for Current Services	\$ 586,938	\$ 0	\$ 586,938
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 100,277	\$ 8,820	\$ 109,097
<u>Nonrecurring Items</u>			
Sale of Equipment	4,025	0	4,025
Contributions & Gifts	1,000	0	1,000
Total Other Local Revenues	\$ 105,302	\$ 8,820	\$ 114,122
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 11,115,270	\$ 0	\$ 11,115,270
Early Childhood Education	285,128	0	285,128
School Food Service	13,489	0	13,489
Driver Education	6,835	0	6,835
Other State Education Funds	60,545	0	60,545
Career Ladder Program	167,456	0	167,456
Career Ladder - Extended Contract	55,777	0	55,777
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	315,125	0	315,125
Other State Grants	319,948	0	319,948
Other State Revenues	39,978	0	39,978
Total State of Tennessee	\$ 12,379,551	\$ 0	\$ 12,379,551

(Continued)

Exhibit E-3

Grundy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 610,063	\$ 0	\$ 610,063
Breakfast	281,236	0	281,236
USDA - Other	12,542	0	12,542
Adult Education State Grant Program	61,912	0	61,912
Vocational Education - Basic Grants to States	19,974	88,016	107,990
Title I Grants to Local Education Agencies	0	916,000	916,000
Innovative Education Program Strategies	0	50,014	50,014
Special Education - Grants to States	0	638,997	638,997
Special Education Preschool Grants	0	32,328	32,328
Eisenhower Professional Development State Grants	0	192,715	192,715
Other Federal through State	665,491	15,058	680,549
Total Federal Government	\$ 1,651,218	\$ 1,933,128	\$ 3,584,346
Total	\$ 16,577,275	\$ 1,941,948	\$ 18,519,223

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,747,788	
Career Ladder Program		66,998	
Career Ladder Extended Contracts		50,520	
Homebound Teachers		40,040	
Educational Assistants		81,705	
Other Salaries & Wages		25,034	
Non-certified Substitute Teachers		107,140	
Social Security		302,782	
State Retirement		297,558	
Life Insurance		352	
Medical Insurance		363,568	
Employer Medicare		70,810	
Other Contracted Services		3,867	
Instructional Supplies and Materials		88,002	
Textbooks		173,521	
Regular Instruction Equipment		47,425	
Total Regular Instruction Program			\$ 6,467,110

Alternative Instruction Program

Teachers	\$	81,103	
Career Ladder Program		2,000	
Educational Assistants		9,065	
Social Security		5,328	
State Retirement		6,016	
Life Insurance		32	
Medical Insurance		9,976	
Employer Medicare		1,246	
Other Supplies and Materials		419	
Other Charges		408	
Total Alternative Instruction Program			115,593

Special Education Program

Teachers	\$	1,378,232
Career Ladder Program		23,783
Educational Assistants		44,779
Other Salaries & Wages		44,917
Non-certified Substitute Teachers		44
Social Security		88,509
State Retirement		91,402

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Life Insurance	\$	957	
Medical Insurance		102,528	
Employer Medicare		20,700	
Other Contracted Services		960	
Instructional Supplies and Materials		102,077	
Other Supplies and Materials		2,199	
Total Special Education Program			\$ 1,901,087

Vocational Education Program

Teachers	\$	380,000	
Career Ladder Program		4,000	
Educational Assistants		19,071	
Social Security		25,173	
State Retirement		26,161	
Life Insurance		201	
Medical Insurance		30,074	
Employer Medicare		5,887	
Instructional Supplies and Materials		13,312	
Total Vocational Education Program			503,879

Adult Education Program

Teachers	\$	24,224	
Other Salaries & Wages		8,435	
Social Security		2,025	
State Retirement		2,796	
Employer Medicare		474	
Other Fringe Benefits		330	
Instructional Supplies and Materials		1,540	
Other Charges		155	
Total Adult Education Program			39,979

Support Services

Attendance

Supervisor/Director	\$	9,857	
Career Ladder Program		1,000	
Other Salaries & Wages		23,727	
Social Security		2,144	
State Retirement		3,054	
Employer Medicare		502	

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Postal Charges	\$	1,124	
Travel		2,118	
Other Contracted Services		7,833	
Other Supplies and Materials		2,023	
Total Attendance			\$ 53,382

Health Services

Medical Personnel	\$	33,452	
Other Salaries & Wages		19,505	
Social Security		3,282	
State Retirement		3,049	
Life Insurance		21	
Medical Insurance		3,159	
Employer Medicare		768	
Travel		620	
Other Contracted Services		6,453	
Drugs and Medical Supplies		3,213	
Total Health Services			73,522

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		181,588	
Career Ladder Extended Contracts		4,418	
Secretary(ies)		9,656	
School Resource Officer		27,509	
Other Salaries & Wages		10,773	
Social Security		12,428	
State Retirement		12,691	
Life Insurance		32	
Medical Insurance		10,455	
Employer Medicare		2,907	
Evaluation and Testing		8,231	
Travel		1,802	
Other Supplies and Materials		2,308	
Other Charges		3,107	
Total Other Student Support			294,905

Regular Instruction Program

Supervisor/Director	\$	53,784	
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(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Program	\$	2,000	
Librarians		80,710	
Social Security		7,737	
State Retirement		8,367	
Medical Insurance		17,272	
Employer Medicare		1,810	
Travel		2,425	
Other Contracted Services		5	
Library Books/Media		4,999	
Other Supplies and Materials		123	
In Service/Staff Development		6,994	
Total Regular Instruction Program			\$ 186,226

Special Education Program

Supervisor/Director	\$	54,492	
Career Ladder Program		1,000	
Psychological Personnel		40,511	
Other Salaries & Wages		20,344	
Social Security		7,301	
State Retirement		8,017	
Medical Insurance		3,667	
Employer Medicare		1,708	
Communication		13,581	
Travel		26,815	
Other Contracted Services		7,176	
In Service/Staff Development		5,215	
Other Charges		23,663	
Total Special Education Program			213,490

Vocational Education Program

Supervisor/Director	\$	64,487	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		4,182	
State Retirement		4,198	
Medical Insurance		3,667	
Employer Medicare		978	
Total Vocational Education Program			81,512

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	36,645	
Social Security		2,229	
State Retirement		2,246	
Medical Insurance		2,442	
Employer Medicare		521	
Communication		666	
Travel		1,440	
Total Adult Programs			\$ 46,189

Board of Education

Board and Committee Members Fees	\$	7,961	
Social Security		487	
State Retirement		88	
Unemployment Compensation		19,267	
Employer Medicare		114	
Audit Services		9,950	
Dues and Memberships		8,282	
Legal Services		36,874	
Liability Insurance		40,702	
Premiums on Corporate Surety Bonds		1,200	
Trustee's Commission		71,333	
Workers' Compensation Insurance		53,325	
Other Charges		309	
Total Board of Education			249,892

Director of Schools

County Official/Administrative Officer	\$	65,531	
Career Ladder Program		1,000	
Clerical Personnel		14,726	
Social Security		5,588	
State Retirement		6,125	
Life Insurance		32	
Medical Insurance		6,161	
Employer Medicare		1,307	
Communication		29,336	
Travel		2,395	
Office Supplies		384	
Total Director of Schools			132,585

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	407,203	
Career Ladder Program		13,033	
Career Ladder Extended Contracts		7,171	
Assistant Principals		48,873	
Secretary(ies)		29,453	
Clerical Personnel		26,946	
Social Security		31,170	
State Retirement		33,840	
Life Insurance		232	
Medical Insurance		44,405	
Employer Medicare		7,290	
Total Office of the Principal			\$ 649,616

Fiscal Services

Accountants/Bookkeepers	\$	39,262	
Secretary(ies)		14,796	
Social Security		3,352	
State Retirement		5,514	
Life Insurance		95	
Employer Medicare		784	
Postal Charges		1,999	
Travel		264	
Other Contracted Services		7,597	
Office Supplies		7,339	
Total Fiscal Services			81,002

Operation of Plant

Custodial Personnel	\$	237,868	
Social Security		14,099	
State Retirement		13,701	
Life Insurance		443	
Employer Medicare		3,297	
Other Contracted Services		9,642	
Custodial Supplies		82,499	
Electricity		380,475	
Natural Gas		136,197	
Water and Sewer		49,781	
Boiler Insurance		200	
Building and Contents Insurance		47,707	

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Charges	\$	8,331	
Plant Operation Equipment		61,614	
Total Operation of Plant			\$ 1,045,854

Maintenance of Plant

Supervisor/Director	\$	26,070	
Secretary(ies)		8,947	
Maintenance Personnel		84,834	
Social Security		6,941	
State Retirement		10,468	
Life Insurance		114	
Medical Insurance		1,236	
Employer Medicare		1,623	
Maintenance & Repair Services - Equipment		80,961	
Other Supplies and Materials		74,986	
Total Maintenance of Plant			296,180

Transportation

Supervisor/Director	\$	22,611	
Mechanic(s)		40,550	
Bus Drivers		213,690	
Social Security		17,086	
State Retirement		24,845	
Life Insurance		738	
Employer Medicare		3,996	
Communication		1,657	
Medical and Dental Services		7,185	
Other Contracted Services		9,239	
Gasoline		94,252	
Tires and Tubes		13,468	
Vehicle Parts		44,209	
Other Supplies and Materials		5,460	
Vehicle and Equipment Insurance		13,439	
Other Charges		11	
Transportation Equipment		143,376	
Total Transportation			655,812

Central and Other

Supervisor/Director	\$	158,081	
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(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Clerical Personnel	\$	4,300	
Other Salaries & Wages		345,891	
Social Security		29,279	
State Retirement		29,736	
Life Insurance		32	
Medical Insurance		9,523	
Employer Medicare		6,847	
Communication		2,259	
Postal Charges		55	
Travel		39,173	
Instructional Supplies and Materials		1,298	
Other Supplies and Materials		142,594	
In Service/Staff Development		11,595	
Other Charges		76,117	
Administration Equipment		149	
Other Equipment		48,243	
Total Central and Other			\$ 905,172

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	3,000	
Cafeteria Personnel		519,315	
Other Salaries & Wages		18,434	
Social Security		33,295	
State Retirement		41,937	
Life Insurance		1,105	
Employer Medicare		7,787	
Payments to Schools - Breakfast		255,840	
Payments to Schools - Lunch		556,830	
Payments to Schools - Other		11,747	
Travel		857	
In Service/Staff Development		911	
Other Charges		3,428	
Food Service Equipment		14,762	
Total Food Service			1,469,248

Community Services

Supervisor/Director	\$	20,255	
Social Security		1,256	

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

State Retirement	\$	2,066	
Life Insurance		32	
Employer Medicare		294	
Other Charges		<u>9,247</u>	
Total Community Services			\$ 33,150

Early Childhood Education

Supervisor/Director	\$	105,873	
Clerical Personnel		3,790	
Educational Assistants		23,751	
Other Salaries & Wages		4,000	
Non-certified Substitute Teachers		3,034	
Social Security		8,549	
State Retirement		8,084	
Life Insurance		56	
Employer Medicare		1,999	
Communication		833	
Postal Charges		11	
Travel		10,131	
Instructional Supplies and Materials		23,230	
Other Supplies and Materials		2,490	
Other Charges		13,955	
Other Equipment		<u>71,196</u>	
Total Early Childhood Education			280,982

Capital Outlay

Regular Capital Outlay

Building Construction	\$	9,456	
Building Improvements		19,950	
Site Development		9,000	
Other Capital Outlay		<u>189,437</u>	
Total Regular Capital Outlay			227,843

Principal on Debt

Education

Principal on Notes	\$	<u>61,746</u>	
Total Education			61,746

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 6,572	
Total Education		\$ 6,572

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 500,000	
Total Education		<u>500,000</u>

Total General Purpose School Fund \$ 16,572,528

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 434,541	
Educational Assistants	107,316	
Non-certified Substitute Teachers	6,000	
Social Security	31,945	
State Retirement	35,616	
Life Insurance	395	
Medical Insurance	43,956	
Employer Medicare	7,471	
Maintenance & Repair Services - Equipment	100	
Instructional Supplies and Materials	53,729	
Other Supplies and Materials	26,465	
Regular Instruction Equipment	<u>15,488</u>	
Total Regular Instruction Program		\$ 763,022

Special Education Program

Educational Assistants	\$ 253,359	
Other Salaries & Wages	232,256	
Social Security	29,913	
State Retirement	36,680	
Medical Insurance	13,711	
Employer Medicare	6,950	
Other Contracted Services	57,908	
Instructional Supplies and Materials	9,316	
Other Supplies and Materials	<u>410</u>	
Total Special Education Program		640,503

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Salaries & Wages	\$	11,200	
Social Security		595	
State Retirement		654	
Employer Medicare		139	
Travel		555	
Other Contracted Services		1,211	
Instructional Supplies and Materials		3,832	
Other Charges		6,770	
Vocational Instruction Equipment		39,672	
Total Vocational Education Program			\$ 64,628

Support Services

Other Student Support

Other Salaries & Wages	\$	8,742	
Social Security		535	
State Retirement		529	
Employer Medicare		125	
Evaluation and Testing		2,962	
Other Contracted Services		462	
Other Supplies and Materials		2,547	
Other Charges		22,619	
Total Other Student Support			38,521

Regular Instruction Program

Supervisor/Director	\$	43,322	
Secretary(ies)		17,113	
Other Salaries & Wages		49,927	
Non-certified Substitute Teachers		160	
Social Security		7,141	
State Retirement		8,861	
Medical Insurance		3,159	
Employer Medicare		1,670	
Communication		1,979	
Travel		7,653	
Other Contracted Services		6,050	
Other Supplies and Materials		80,896	
In Service/Staff Development		78,816	
Regular Instruction Equipment		8,522	
Total Regular Instruction Program			315,269

(Continued)

Exhibit E-4

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Other Salaries & Wages	\$	20,631	
Social Security		1,277	
State Retirement		2,100	
Employer Medicare		299	
Travel		2,337	
Other Contracted Services		1,894	
Other Supplies and Materials		326	
In Service/Staff Development		7,972	
Total Special Education Program			\$ 36,836

Vocational Education Program

Travel	\$	4,289	
Other Contracted Services		2,754	
Other Supplies and Materials		4,504	
In Service/Staff Development		425	
Total Vocational Education Program			11,972

Transportation

Other Salaries & Wages	\$	4,520	
Social Security		280	
State Retirement		461	
Employer Medicare		66	
Total Transportation			5,327

Principal on Debt

Education

Principal on Notes	\$	10,002	
Total Education			10,002

Interest on Debt

Education

Interest on Notes	\$	251	
Total Education			251

Total School Federal Projects Fund \$ 1,886,331

Total Governmental Funds - Grundy County School Department \$ 18,458,859

**SINGLE AUDIT REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**AND**  
**GRUNDY COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*DEVAN FLYNN, CFE*  
*JENI PALADENI*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

October 1, 2007

Grundy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Grundy County, Tennessee

To the Grundy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Grundy County, Tennessee, and the Grundy County School Department as of and for the year ended June 30, 2007, which collectively comprise Grundy County's and the Grundy County School Department's basic financial statements and have issued our report thereon dated October 1, 2007. Our reports on the financial statements of Grundy County, Tennessee, and the Grundy County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grundy County's and the Grundy County School Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy County's and the Grundy County School Department's internal control over

financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County's and the Grundy County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.06, 07.07, 07.08, and 07.10.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Grundy County's and the Grundy County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy County's and the Grundy County School Department's statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03, 07.04, and 07.05.

We consider item 07.09 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Grundy County and the Grundy County School Department in separate communications.

The Grundy County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway superintendent, director of schools, board of education, others within Grundy County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. GRUNDY STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 1, 2007

Grundy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Grundy County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Grundy County and the Grundy County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Grundy County's and the Grundy County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Grundy County's and the Grundy County School Department's management. Our responsibility is to express an opinion on Grundy County's and the Grundy County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grundy County's and the Grundy County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grundy County's and the Grundy County School Department's compliance with those requirements.

In our opinion, Grundy County and the Grundy County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Grundy County and the Grundy County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grundy County's and the Grundy County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grundy County's and the Grundy County School Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07.08 and 07.11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Grundy County, Tennessee, and the Grundy County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated October 1, 2007. Our reports on the financial statements of Grundy County and the Grundy County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Grundy County's and the Grundy County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Grundy County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway superintendent, director of schools, board of education, others within Grundy County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

Grundy County, Tennessee, and the Grundy County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 44,329
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	281,236
National School Lunch Program	10.555	N/A	622,605
Total U.S. Department of Agriculture			<u>\$ 948,170</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-04-10961-00	\$ 105,611
Total U.S. Department of Housing and Urban Development			<u>\$ 105,611</u>
U.S. Department of Justice:			
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program	16.580	(2)	\$ 1,221
Total U.S. Department of Justice			<u>\$ 1,221</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	07-06-061-306-Youth	\$ 39,171
Total U.S. Department of Labor			<u>\$ 39,171</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-07-035817-00	\$ 5,000
Total U.S. Department of Transportation			<u>\$ 5,000</u>
Appalachian Regional Commission:			
Passed-through State Department of Economic and Community Development:			
Appalachian Regional Development	23.001	(3)	\$ 10,600
Total Appalachian Regional Commission			<u>\$ 10,600</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 860,185
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	657,444
Special Education - Preschool Grants	84.173	N/A	31,962
Vocational Education - Basic Grants to States	84.048	N/A	84,601
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	13,705
State Grants for Innovative Programs	84.298	N/A	3,878
Reading First State Grants	84.357	(2)	229,787
Rural Education	84.358	N/A	43,344
Improving Teacher Quality State Grants	84.367	N/A	190,392
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033694-00	61,912
Passed-through State Department of Human Services:			
Rehabilitation Service - Vocational Rehabilitation Grants to States	84.126	GG-07-12444-00	19,974
Passed-through Sequatchie County Board of Education:			
Twenty-First Century Community Learning Centers	84.287	(2)	188,477
Passed-through Tennessee Higher Education Commission:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(4)	165,917
Total U.S. Department of Education			<u>\$ 2,551,578</u>

(Continued)

Grundy County, Tennessee, and the Grundy County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Election Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirement Payments	90.401	N/A	\$ 144,335
Total Election Assistance Commission			<u>\$ 144,335</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07-034202-00	\$ 21,383
Total U.S. Department of Health and Human Services:			<u>\$ 21,383</u>
Corporation for National and Community Service:			
Passed-through State Department of Finance and Administration:			
Learn and Serve America - School and Community Based Programs	94.004	(5)	\$ 12,756
Total Corporation for National and Community Service			<u>\$ 12,756</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-025160-00	\$ 43,712
Total U.S. Department of Homeland Security			<u>\$ 43,712</u>
Total Expenditures of Federal Awards			<u>\$ 3,883,537</u>
<u>State Grants</u>			
		Contract Number	
Family Resource Center - State Department of Education	N/A	(2)	\$ 33,300
Safe Schools Act - State Department of Education	N/A	(2)	15,587
Early Intervention - State Department of Finance and Administration	N/A	Z-05-022053-00	67,420
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	285,128
Lottery for Education After School Program - State Department of Education	N/A	(6)	203,641
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,043
Litter Program - State Department of Transportation	N/A	Z-07-033799-00	29,237
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-07-036533-0	9,000
Local Health Services - State Department of Health	N/A	Z-07-031539-01	41,227
Total State Grants			<u>\$ 690,583</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) GG-05-11742-00: \$10,000; information not available: \$600.
- (4) GG-07-12480-00: \$120,000; GG-07-12944-00: \$11,917; GG-07-12945-00: \$20,000; GG-07-12946-00: \$14,000
- (5) Z-07-037216-00: \$6,875; information not available: \$5,881.
- (6) Z-05-027725-00: \$46,641; information not available: \$157,000

Grundy County, Tennessee, and the Grundy County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Grundy County, Tennessee, and the Grundy County School Department for the year ended June 30, 2006, which have not been corrected.

**GRUNDY COUNTY AND GRUNDY COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
06.02	13	Transactions related to the operations of the county-owned sewer system were not accounted for through an enterprise fund

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.05	14	Expenditures and encumbrances exceeded appropriations
06.07	15	Invoices were paid without documentation that goods had been received or services had been rendered

**OTHER FINDINGS**

Finding Number	Page Number	Subject
06.09	16	A central system of accounting, budgeting, and purchasing had not been adopted
06.10	17	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**GRUNDY COUNTY, TENNESSEE  
AND THE GRUNDY COUNTY SCHOOL DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Grundy County and the Grundy County School Department.
2. The audit of the financial statements of Grundy County and the Grundy County School Department disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Grundy County, and two instances of noncompliance that are material to the financial statements of the Grundy County School Department.
4. Our audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.533 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Grundy County and the Grundy County School Department did not qualify as low-risk auditees.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the current director of schools, Joel Hargis, is paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **GRUNDY COUNTY AND GRUNDY COUNTY SCHOOL DEPARTMENT**

**FINDING 07.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES****  
(Material Noncompliance Under Government Auditing Standards)

Grundy County and the Grundy County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Grundy County and the Grundy County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Grundy County’s and the Grundy County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. Grundy County’s and the Grundy County School Department’s financial statements are presented in compliance with these requirements.

### **RECOMMENDATION**

Grundy County and the Grundy County School Department should present government-wide financial statements in conformity with generally accepted accounting principles and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

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**OFFICE OF COUNTY MAYOR**

**FINDING 07.02      **TRANSACTIONS RELATED TO THE OPERATIONS OF THE COUNTY-OWNED SEWER SYSTEM WERE NOT ACCOUNTED FOR THROUGH AN ENTERPRISE FUND****  
(Material Noncompliance Under Government Auditing Standards)

The County Mayor's Office did not account for transactions of the county-owned sewer system through an enterprise fund. Instead, these transactions were accounted for through the county's General Fund. Section 68-221-208, Tennessee Code Annotated, and paragraph 8(m) of the Wastewater Facility Revolving Fund Loan Agreement provide for Grundy County to establish a sewer user's fee and/or ad valorem taxes as necessary to provide sufficient funds to pay the costs of operation and maintenance, including depreciation, according to generally accepted accounting principles and debt service requirements of the sewer system. Reporting the sewer system through an enterprise fund is the only method that would ensure sufficient funds are available to pay the costs of operations and maintenance, including depreciation and debt service requirements of the sewer system.

**RECOMMENDATION**

Transactions related to the operations of the county-owned sewer system should be accounted for through an enterprise fund established expressly for those purposes as required by state statute and the Wastewater Facility Revolving Fund Loan Agreement.

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**FINDING 07.03      **BIDS WERE NOT SOLICITED FOR THE PURCHASE OF FOOD SUPPLIES AND FUEL FOR THE SHERIFF'S DEPARTMENT****  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of food supplies for the jail (\$44,680) and fuel for the Sheriff's Department (\$70,694). Section 5-14-201 et seq., Tennessee Code Annotated, requires competitive bids to be solicited through public advertisement for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007). The county began soliciting phone bids for fuel in June 2007.

**RECOMMENDATION**

Competitive bids should be solicited for purchases exceeding \$10,000 as required by state statute.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.04      **THE GRUNDY COUNTY SCHOOL DEPARTMENT HAS NOT MET THEIR WORK PLAN TO IMPLEMENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34**  
(Material Noncompliance Under Government Auditing Standards)**

As noted in finding 07.01, the Grundy County School Department has not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan that the Grundy County School Department filed with the Comptroller's Office shows that the School Department has failed to perform the steps in accordance with the timeline set forth in their plan. If the Grundy County School Department does not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the School Department.

**RECOMMENDATION**

The Grundy County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

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**FINDING 07.05      **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)**

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Purpose School and School Federal Projects Funds by \$40,961 and \$115,163, respectively.

Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

**RECOMMENDATION**

Expenditures and encumbrances should be held within appropriations approved by the County Commission.

## MANAGEMENT'S RESPONSE – CURRENT DIRECTOR OF SCHOOLS

Every effort is made to make sure budget lines do not exceed the original amounts. Budgets will be checked more closely.

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### FINDING 07.06      **THE OFFICE HAD PAYROLL DEFICIENCIES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit noted the following payroll deficiencies:

- A. School employees were routinely paid additional compensation for duties they performed that were in addition to the duties related to their primary job. In one instance, a Reading First coordinator was paid additional compensation for work performed for bus duty, as a homebound teacher, a Title I parent involvement coordinator, a school improvement coordinator, a time proctor, and a professional development instructor. Contracts, written authorizations, or detailed time sheets were not maintained to document when and how these additional duties would be performed and not conflict with one another.
- B. Employee time sheets were not always approved and signed by a supervisor, principal, or department head as evidence of supervisory review and approval.
- C. Several time sheets that were on file did not list the specific days or the hours worked. In one instance, the time sheet for a Title I parental involvement coordinator only listed “115 hours for the period January 2007 to April 2007.”
- D. Some time sheets were submitted to and paid by the payroll department before the work was performed. For example, in one instance a time sheet was faxed to the payroll department on May 17, 2007, for the period May 25, 2007, through June 1, 2007. This time sheet documented work performed prior to the work being performed. Furthermore, the payroll check was issued May 21, 2007, which is prior to the end of the work period.
- E. Some employees submitted separate time sheets for the various duties they performed. However, the times reflected on some of these separate time sheets overlapped within the same day.

### RECOMMENDATION

Contracts, written authorizations, and/or detailed time records should be maintained to document payments to employees for duties performed in addition to the duties required by their primary job. Employee time sheets should be signed by a supervisor, principal, or department head as evidence of supervisory review and approval. Time records should detail the specific hours worked each day and should be submitted to the payroll

department after the reporting period has ended. Hours worked on additional jobs should be reflected on separate time sheets and should not overlap.

#### MANAGEMENT'S RESPONSE – CURRENT DIRECTOR OF SCHOOLS

We now have system-wide time sheets. They are to be completely filled out by the employee, including where the work was performed. As evidence of supervisory review and approval, all time sheets will be signed by the principal, supervisor, and/or department head. Time sheets must be filled out with the correct hours worked and must have the proper approval or they will be returned to the employee. Time sheets will be checked closely and approved by the principal, supervisor, and/or department head, and time will not overlap within the same day. Our payroll will be run once a month. In general, a pay period will end on the fifth of each month. Time sheets must be signed by the employee and submitted to the principal, supervisor, and/or department head for approval on the sixth of each month. Time sheets will be paid subsequent to the work being performed. Failure to submit a correct time sheet by the due date will result in a delay in employee pay until the next month. We are working on contracts for teachers that will list salary and all additional work performed and what the pay rate will be. Time sheets will be attached to the back of the contract.

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#### FINDING 07.07      **QUESTIONABLE TRAVEL REIMBURSEMENTS AND STIPENDS WERE PAID TO SCHOOL EMPLOYEES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted the following questionable travel reimbursements and stipends that were paid to School Department employees:

- A. In several instances, every employee attending a conference received either an advance or reimbursement for mileage when county vehicles or carpooling could have been utilized. For example 13 school employees attended a conference in Gatlinburg, Tennessee. All 13 employees were reimbursed for mileage, and the reimbursement totaled \$2,260.14.
- B. In three instances, an employee was reimbursed for the purchase of airline tickets based only on a memo from the employee requesting the reimbursement. Original invoices for the airline tickets were not maintained as documentation. The details of each instance follows:
  - 1) Wanda Meeks requested and received a reimbursement for four airline tickets to Reno, Nevada, totaling \$1,770.80. Original invoices were not on file to support this purchase. We determined that three school employees attended this conference. The fourth airline ticket, with a cost of \$442.70, was for Wanda Meek's spouse. The cost of a spouse attending a conference is not an allowable expense of the School Department.

- 2) Wanda Meeks requested and received a reimbursement for four airline tickets to Toronto, Canada, totaling \$1,656. However, an email confirmation on file reflected that the purchase price was actually \$1,577.88, a difference of \$78.12. The employees going on this trip were unable to obtain their passports so the tickets were cancelled. A memo from Ms. Meeks stated that the airline charged her credit card a cancellation fee of \$80 per ticket totaling \$320. The memo also stated that the airline would apply the costs of the Canada tickets to the purchase of tickets in the future.
  
- 3) Wanda Meeks requested and received a reimbursement for four airline tickets to St. Louis, Missouri, totaling \$1,021.16. However, these tickets were never paid for by Ms. Meeks because the airline applied the costs of the previously mentioned Canada tickets to this trip. Original invoices were not on file to support this purchase; however, it was discovered that Ms. Meeks' spouse accompanied her on this trip. The cost of the ticket for her spouse was determined to be \$414. Ms. Meeks deducted the \$320 cancellation fee.

Ms. Meeks reimbursed the county \$400 through a payroll deduction for the cost of her spouse's airline ticket. She also reimbursed the county \$661.16 for other overpayments she had received. The following table reflects the above-noted transactions and shows that Wanda Meeks has a balance due the School Department of \$654.92 (\$536.70 plus \$118.22).

\$	442.70	cost of spouse ticket to Nevada
	414.00	cost of spouse ticket to Missouri
	80.00	cancellation fee on spouse ticket to Canada
	<u>(400.00)</u>	personal refund made by Ms. Meeks
\$	<u>536.70</u>	balance owed county by Ms. Meeks for spouse's travel expenses
\$	1,656.00	amount reimbursed to employee for Canada tickets
	<u>(1,577.78)</u>	actual cost of Canada tickets
		amount reimbursed to Ms. Meeks for Missouri tickets
	1,021.16	paid for by using credit from the Canada tickets
	<u>(320.00)</u>	cancellation fee charge to Ms. Meeks' credit card
	<u>(661.16)</u>	personal refund made by Ms. Meeks
\$	<u>118.22</u>	balance owed county by Ms. Meeks for airplane tickets

- C. The School Department paid \$1,471.20 to a hotel in Nashville, Tennessee, for three nights lodging for three people to attend a conference; however, the actual costs of the lodging totaled only \$762.45. Also, the School Department paid a resource management company \$2,136.33 to reserve three nights lodging for three people to attend a conference in Canada; however, as previously noted, the employees did not attend the conference. After auditors

questioned these payments, the School Department requested and received refunds totaling \$2,845.08 from these companies.

D. Several employees received the following questionable stipends and travel allowances:

- 1) The School Department paid 14 employees stipends of \$420 each to attend a conference in Gatlinburg, Tennessee. One employee (Deb Bryson) did not attend the conference and has not reimbursed the School Department. Also, two of the employees (Karen Meeks and Kathy McCullough) were 12-month employees and should not have received a stipend. School officials stated that the two employees took vacation leave to attend the conference; however, no documentation was provided to support the leave.
- 2) Two employees (Karen Meeks and Kathy McCullough) were paid stipends of \$600 each to attend a conference in Reno, Nevada. As noted above, these two employees were 12-month employees and should not have received a stipend. School officials stated that the two employees took vacation leave to attend the conference; however, no documentation was provided to support the leave.
- 3) Three employees (Karen Meeks, Kathy McCullough, and Wanda Meeks) were advanced stipends of \$140 each and a meal allowance of \$200 each to attend a conference in Toronto, Canada. In addition, Wanda Meeks received an advance of \$209.04 for mileage, airport parking, and shuttle transportation. As previously noted, the conference trip to Toronto, Canada, was cancelled.

These questionable stipends and travel expenses have not been reimbursed by the school employees.

<u>Employee</u>	<u>Gatlinburg Stipends</u>	<u>Reno Stipends</u>	<u>Canada Stipends</u>	<u>Travel Advance</u>
Deb Bryson	\$ 420.00	\$ 0	\$ 0	0
Karen Meeks	420.00	600.00	340.00	0
Kathy McCullough	420.00	600.00	340.00	0
Wanda Meeks	0	0	340.00	209.04
<b>Total Overpayments</b>	<b>\$ 1,260.00</b>	<b>\$ 1,200.00</b>	<b>\$ 1,020.00</b>	<b>\$ 209.04</b>

In summary, the School Department overpaid the following employees:

<u>Employee</u>	<u>Spouse Related Travel</u>	<u>Airplane Tickets</u>	<u>Stipends and Travel</u>	<u>Total</u>
Deb Bryson	\$ 0	\$ 0	\$ 420.00	\$ 420.00
Karen Meeks	0	0	1,360.00	1,360.00
Kathy McCullough	0	0	1,360.00	1,360.00
Wanda Meeks	536.70	118.12	549.04	1,203.86
Total	\$ 536.70	\$ 118.12	\$ 3,689.04	\$ 4,343.86

**RECOMMENDATION**

School officials should seek reimbursement for the questionable travel and stipends. Also, officials should consider methods to reduce travel expenses when multiple employees are attending the same conference. All reimbursements for travel should be documented by detailed travel claims reflecting dates, locations, and actual expenses supported by original invoices. The School Department should not pay for the travel expenses for spouses of school employees. Furthermore, stipends should not be paid for 12-month employees unless leave records support that the employee is using vacation time to attend the conference.

**MANAGEMENT’S RESPONSE – CURRENT DIRECTOR OF SCHOOLS**

We have created a new policy on travel mileage, reimbursements, and stipends. It will be presented at the September 2007 school board meeting for approval. The travel form has to be completely filled out and signed by the recipient, principal, and supervisor if needed. The reimbursement form has to be completely filled out and all documentation attached and signed by the appropriate persons. Stipends are as follows: Employees will be paid \$20 per hour with a maximum of eight (8) hours. Twelve-month employees will have to use vacation days to receive stipends and submit their request for vacation time prior to May 1.

**FINDING 07.08 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
 (Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In some instances, invoices were not on file to support the purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.

- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens control over the purchasing process. We extended our audit procedures and determined that these goods and services were received.

**RECOMMENDATION**

Invoices should be on file to support all purchases. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

**MANAGEMENT'S RESPONSE – CURRENT DIRECTOR OF SCHOOLS**

Each check written will have the original invoice attached. Invoices not submitted will not receive a check. No check will be written just by request. Every effort is being made to collect packing slips from goods received. No checks will be written without the original time sheets for any services rendered.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.09**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Finding Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting and budgeting processes.

**RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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FINDING 07.10

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – CURRENT DIRECTOR OF SCHOOLS

We have limited personnel and resources, so it requires the department to use personnel in many different positions.

**PART III, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS**

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants	07.11	84.010    84.027 84.173	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control - See Finding 07.08 - In some instances, invoices were not on file to support the purchases, and invoices were paid without documentation that goods had been received or services had been rendered.	\$           0

**GRUNDY COUNTY, TENNESSEE, AND THE  
GRUNDY COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

There were audit findings relative to federal awards presented in the prior and current years' Schedules of Findings and Questioned Costs.

**Office of Director of Schools – Corrective Action Plan for Current Year Findings**

FINDINGS 07.08 and 07.11

Contact Person: Joel Hargis

Corrective Action Planned: Each check written will have the original invoice attached. Invoices not submitted will not receive a check. No check will be written just by request. Every effort is being made to collect packing slips from goods received. No checks will be written without the original time sheets for any services rendered.

Anticipated completion date: 2007-08

**Office of Director of Schools – Corrective Action Plan for Prior Year Findings**

FINDINGS 06.07 and 06.11

Corrective action plan was not implemented.